

1 IN THE COUNTY OF WASHINGTON

2
3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
4 VIRGINIA GAS AND OIL BOARD
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8 FEBRUARY 21, 2006
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12 APPEARANCES:

13 **BOARD MEMBERS:**

13 PEGGY BARBAR - PUBLIC MEMBER
14 MARY QUILLEN - PUBLIC MEMBER
14 JOSE SIMON - GAS REPRESENTATIVE
15 DONALD RATLIFF - COAL REPRESENTATIVE

16 **CHAIRMAN:**

16 BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN
17

18 **COUNSEL:**

18 SHARON PIGEON - ASSISTANT ATTORNEY GENERAL
19

20 BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND
20 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD
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18 BENNY WAMPLER: Okay, good morning. My name is Benny
 19 Wampler. I'm Deputy Director for the Department of Mines, Minerals and Energy
 20 and Chairman of the Gas and Oil Board. I'll ask the members to introduce
 21 themselves starting with Ms. Barbar.
 22 PEGGY BARBAR: Peggy Barbar, Southwest Virginia Community
 23 College Engineering Dean. I'm a member public-at-large.
 24

1 MARY QUILLEN: Mary Quillen, Director Academic Programs for the
2 University of Virginia and citizen representative.

3 JOSE SIMON: Jose Simon with Virginia Natural Gas and I'm the
4 gas representative.

5 SHARON PIGEON: I'm Sharon Pigeon with the Office of the
6 Attorney General.

7 DONALD RATLIFF: Donnie Ratliff with Alpha Natural Resources
8 representing the coal.

9 BOB WILSON: Bob Wilson. I'm the Director of the Division of Gas
10 and Oil and principal executive to the staff of the Board.

11 BENNY WAMPLER: The first item on today's agenda is a petition
12 CNX Gas Company, LLC for pooling of coalbed methane unit C-50, docket
13 number VGOB-06-0117-1556. It was continued from January. We would ask the
14 parties that wish to address the Board in this matter to come forward at this time.

15 MARK SWARTZ: Mark Swartz and Les Arrington.

16 BENNY WAMPLER: The record will show no others. You may
17 proceed. You have to get Les sworn.

18 MARK SWARTZ: Actually, a couple of housekeeping things.

19 BENNY WAMPLER: Okay.

20 MARK SWARTZ: This is...C-50, which was the first item on your
21 docket---.

22 BENNY WAMPLER: Right.

23 MARK SWARTZ: ---and the eighth item on you docket B-51---.

24

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1 BENNY WAMPLER: Okay.

2 MARK SWARTZ: ---we would ask that those be continued. We're
3 negotiating with Geo Met. Hopefully, we'll be able to resolve some of the issues
4 in those two units. Do you need a month or how...do you think a month---?

5 LESLIE K. ARRINGTON: We'll attempt to be back in a month.

6 MARK SWARTZ: Okay, a month would be great, if you could do
7 that. Then there's one other one, your docket number eleven, BB-124 is the unit.
8 There's a huge heirship in there. My client met with a group of the heirs within
9 the last month since filing. There's a ton changes and they would like to continue
10 that to straighten that heirship out a little better. How long do you need on that
11 one, Anita?

12 ANITA DUTY: Just a month.

13 MARK SWARTZ: A month, okay.

14 BENNY WAMPLER: Okay. I'll go ahead and call those other docket
15 numbers. We'll continue those three items. The second one was docket number
16 VGOB-06-0221-1576 and VGOB-06-0221-1579 are continued.

17 JIM KAISER: Mr. Chairman, do you want me to give you my
18 housekeeping now too?

19 BENNY WAMPLER: Yes, that will be good.

20 JIM KAISER: We're going to...we're going to hear three and four
21 today, but we thought we'd go ahead and let CNX do all of theirs, if that's okay
22 with everybody, and then group that with our other ones. Then number six, which
23 is item 05-0315-1420-02, we'd like to continue that one again until April, if we
24

1 might.

2 BENNY WAMPLER: That will be continued.

3 JIM KAISER: And then item...if you will go all the way over to item
4 twenty-seven, which is 06-0221-1595, we'd like to withdraw that one. We've
5 already refiled it for the March docket. That well moved about 200 feet, the
6 location of that well.

7 BENNY WAMPLER: That's withdrawn.

8 JIM KAISER: Okay. Thank you.

9 BENNY WAMPLER: Thank you. The next item on the agenda is
10 petition from CNX Gas Company, LLC for pooling of coalbed methane unit G-11.
11 This is docket number VGOB-06-0117-1557. We'd ask the parties that wish to
12 address the Board in this matter to come forward at this time.

13 MARK SWARTZ: Mark Swartz and Les Arrington.

14 (Leslie K. Arrington is duly sworn.)

15 BENNY WAMPLER: The record will show there are no others. You
16 may proceed.

17

18 LESLIE K. ARRINGTON

19 having been duly sworn, was examined and testified as follows:

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. SWARTZ:

22 Q. Les, you need to state your name for the record, please.

23 A. Leslie K. Arrington.

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1 Q. Who do you work for?

2 A. CNX...CNX Gas Company, LLC.

3 Q. Okay. And what do you do for that company?

4 A. Manager of Environmental and Permitting.

5 Q. And, in general, would it be true that you are the fellow

6 who is responsible ultimately for preparing the notices of hearing and the

7 applications and the related exhibits and that you have signed the notices and the

8 applications?

9 A. Yes.

10 Q. And would it be true that if you didn't prepare...actually

11 prepare the exhibits yourself, they were prepared under your supervision?

12 A. Yes, they were.

13 Q. Okay. Is CNX Gas Company, LLC a Virginia Company?

14 A. Yes, it is.

15 Q. Is it authorized to do business in Virginia?

16 A. Yes.

17 Q. Obviously, CNX is the applicant. Who...who would be the

18 designated operator if this unit was pooled?

19 A. CNX Gas Company.

20 Q. Okay. And as an operator, s CNX Gas Company

21 registered to do business in the Commonwealth?

22 A. Yes, it is.

23 Q. Has it registered with the DMME?

24

1 A. Yes.

2 Q. And does it have a blanket bond on file?

3 A. Yes, it does.

4 Q. What did you do to advise people that we were going to

5 have a hearing today?

6 A. We mailed by certified mail on January the 20th, 2006.

7 We published in the Bluefield Daily Telegraph on February the 6th, 2006.

8 Q. Okay. And when you mailed, what...what did you mail?

9 A. The notice of hearing and the location map.

10 Q. When you mailed, did you mail everything when you

11 mailed?

12 A. Oh, we have to...yes, we did. I'm sorry.

13 Q. And when you published, what did you publish?

14 A. The notice of hearing and location map, I'm sorry.

15 Q. Okay. That's all right. This was a hearing that was

16 originally set for January?

17 A. Yes, it was.

18 Q. And it was continued until this month and you filed some

19 further affidavits and certificates with Mr. Wilson in regard to mailing and with

20 regard to proof of publication, correct?

21 A. Yes, we did.

22 Q. Okay. And those proofs were attached to the affidavit of

23 due diligence that you filed?

24

1 A. Yes, they were.

2 Q. Okay. This is an Oakwood I unit?

3 A. Yes, it is.

4 Q. 80 acres?

5 A. Yes.

6 Q. And there's one well proposed to be drilled here?

7 A. Yes, it is.

8 Q. And is it located in the window?

9 A. No.

10 Q. Okay. Is there a permit for this well?

11 A. Yes, it is. 7022.

12 Q. I look at the application and I'm seeing 7023. You need to

13 check your file here.

14 A. On here it's 7022. So, we must have had a typo there.

15 Q. Okay. So, it is...well, I'm looking at the wrong one. I'm

16 sorry. Hold on. G-11.

17 A. Yeah.

18 Q. Okay, sorry. Okay, 7022. Sorry, okay. And the cost

19 estimate with regard to this well?

20 A. \$267,018.74 to a depth of 1997.6 feet.

21 Q. Okay. And that's...that cost estimate was something that

22 you prepared?

23 A. Yes, it was.

24

1 Q. Okay. The...tell the Board what it is that the applicant was
2 able to acquire in terms of interest and what it is you're seeking to pool.

3 A. Yes, we have 99.70% of the coal, oil and gas interest,
4 coalbed methane interest leased. We're seeking to pool 0.30% of the coal, oil
5 and gas, coalbed methane interest.

6 Q. Okay. And there's no escrow required for any reason?

7 A. No.

8 Q. Okay. Is it your opinion that the drilling of one well in this
9 unit is a reasonable method to develop the coalbed methane within and under this
10 unit?

11 A. Yes, it is.

12 Q. Is it also your opinion that if you take a pooling order
13 pooling the folks that are listed as respondents here and combine that with the
14 leases you've obtained, that that would serve to protect all of the correlative rights
15 of all of the owners or claimants to gas in this unit?

16 A. Yes, it will.

17 Q. Do you want to add anybody as a respondent today?

18 A. No.

19 Q. Do you want to subtract anybody?

20 A. No.

21 Q. What are the lease terms that you have offered to the
22 people that you've been able to reach an agreement with in this unit?

23 A. Our standard coalbed methane lease is a dollar per acre
24
25

1 per year with a five year paid up term with a one-eighth royalty.

2 Q. Okay. And would you recommend those terms to the
3 Board to be included in any order that might be entered with regard to folks who
4 are deemed to be leased?

5 A. Yes, we would.

6 MARK SWARTZ: Okay. That's all I have on this unit.

7 BENNY WAMPLER: I guess, a couple of things. The sheet that you
8 handed out...provided us and becomes a part of the record. There's a couple of
9 things on there for clarification. Did you say unit G-11 amended? What is the
10 amended mean?

11 LESLIE K. ARRINGTON: We...we sent in some
12 amended---

13 BENNY WAMPLER: I just wanted that for clarification---

14 LESLIE K. ARRINGTON: ---information. Yes.

15 BENNY WAMPLER: ---what you discussed earlier.

16 LESLIE K. ARRINGTON: Yes.

17 BENNY WAMPLER: And the date it was drilled was when?

18 LESLIE K. ARRINGTON: Yes, that's an old vertical ventilation hole
19 that we've gone in and reworked.

20 BENNY WAMPLER: Okay. Other questions from members of the
21 Board?

22 DONALD RATLIFF: Mr. Chairman, it is outside the drilling window?

23 BENNY WAMPLER: Yes. The inspector has approved it. Do you
24

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1 have anything further?

2 MARK SWARTZ: No.

3 BENNY WAMPLER: Is there a motion?

4 DONALD RATLIFF: I move to approve, Mr. Chairman.

5 JOSE SIMON: Second.

6 BENNY WAMPLER: Motion to approve and second. Any further

7 discussion?

8 (No audible response.)

9 BENNY WAMPLER: All in favor, signify by saying yes.

10 (All Board members signify by saying yes.)

11 BENNY WAMPLER: Opposed, say no.

12 (No audible response.)

13 BENNY WAMPLER: You have approval. Mr. Kaiser has yielded to

14 you. Do we go to---?

15 MARK SWARTZ: I think you go to seven. You're going to have to

16 swear Mr. Wilson in for that one.

17 BENNY WAMPLER: I understand that Ms. Counts is here. Is

18 Madeline Counts here?

19 MARK SWARTZ: I don't know.

20 BOB WILSON: No, sir. She has sent us a letter.

21 BENNY WAMPLER: Okay. I'll come back to it then.

22 BOB WILSON: That would be Equitable's.

23 BENNY WAMPLER: All right. So, we're going to seven, right?

24

1 MARK SWARTZ: Yes.

2 BENNY WAMPLER: The Board on its own authority will reconsider
3 prior approval of repooling coalbed methane unit P-40. This is docket number
4 VGOB-93-0216-0330-04. We'd ask the parties that wish to address the Board in
5 this matter to come forward at this time. Kyle, if you'd state your name for the
6 record.

7 KYLE P. ROBINSON: Kyle P. Robinson, Whitewood, Virginia.

8 MARK SWARTZ: Mark Swartz and Les Arrington.

9 BENNY WAMPLER: Do you want to give us some background on
10 this?

11 BOB WILSON: Yes, sir. The P-40 unit, of course, was originally
12 pooled last month. There were some questions as to whether the notice that was
13 given was adequate to what actually had taken place. The Board members will
14 have in their packet there, I believe, a letter that I addressed to Mr. Swartz, as
15 Counsel for CNX, stating that there were a number of entities in that unit that were
16 affected by the repooling that were not notified of the repooling. In other words,
17 when the acreage adjustment took place, the people who were directly involved in
18 that acreage was notified...were notified of the hearing, but it also caused
19 adjustment in other acreage tracts within that unit and those people were not
20 notified. We quoted the Virginia Gas and Oil or Board...Virginia Gas and Oil
21 Board Regulation. Let me see if I can find that quote. "That notice is to be given
22 to owners or claimants who are unleased and/or were not previously pooled and
23 applicants for hearing to modify a force pooling order shall provide notice in

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1 accordance with §45.1-361.19 of the Code of Virginia to each respondent named
2 in the order to be modified whose interest may be affected by the proposed
3 modification.” That was the first aspect of it.

4 The other aspect is that individuals to whom previous disbursements
5 had been made, their tracts were affected by the repooling, which means that
6 either they were possibly paid too much or too little according to current acreage
7 calculations. There is probable need to adjust that because either there’s too
8 much in the escrow account or too little money in the escrow account because
9 previous recipients had been paid too much or too little money. That’s why we
10 brought this before the AG’s office and Mr. Wampler and decided that maybe the
11 Board should take a second look at...and give the operator the opportunity to tell
12 us whether or not notice was adequate.

13 BENNY WAMPLER: Mr. Swartz.

14 MARK SWARTZ: I really don’t understand the notice issue. I mean,
15 we don’t give notice to people that haven’t been pooled that we have leases with.
16 We gave notice to every respondent that we pooled, you know. 361.19, you
17 know, says you need to notify people that you’re pooling. I mean, the reality is
18 our leases give us an opportunity with our lessors to essentially adjust their
19 royalties as facts develop without coming to you to bother you. You know, if we
20 crosswise with our lessors, under the terms of a lease and they think we’re
21 figuring it out wrong, they will certainly come to us. But that’s a contract or lease
22 issue. So, you know, we don’t...if you look at...just to give you an example, I
23 mean, if you look at the one that we just pooled, you know, as an example, we

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1 had, you know, 99% of that leased. We didn't notice any of those people for the
2 pooling order. So, we don't...you know, we don't seek to pool people that
3 we have an agreement with.

4 When I look at the notice of publication...or the notice...the return
5 receipts that were sent out for P-40, the last time we were here, it looks to me like
6 we sent to the right people. So, in terms of a notice issue, I really would beg to
7 differ, you know. I mean, we have our debates occasionally. I just don't see that
8 that was a problem.

9 The more interesting question, which we have an answer for and we
10 may need to share some information...you may need to give us some guidance
11 there, as it turns out, you know, when money came out of escrow on this unit, a
12 good bit of it went to people that we have leases with as opposed to people who
13 were pooled by a Board order, just to kind of bring everybody back to center on
14 escrow. It is common for this Board to order escrow for people...for funds that are
15 potentially due people who are not being pooled because they are in conflict with
16 people who are being pooled. So, you know, it's not unusual for the escrow agent
17 to hold money that ultimately goes out to somebody that you never pooled
18 because we have a lease agreement with them. In this particular incidence,
19 money went out to Hurt...Hurt McGuire and...I can never remember their name.

20 LESLIE K. ARRINGTON: Reserve coal.

21 MARK SWARTZ: Reserve Coal Properties...and Reserve Coal
22 Properties and Clyborne. All of those folks, those were lease arrangements or
23 split agreements, not Board...not as a result of Board orders. The only person

24

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1 that money went out to, as far as I can...my information, is Mr. Robinson. If you'll
2 recall that we were going to write him an additional check to catch him up. The
3 acreage between the people that were disbursed, the Hurt McGuire interest and
4 the Reserve Coal and Clyborne interest...acreage, went down by 2.4. Mr.
5 Robinson's went up by 2.41. It darn near zeroed it out. The net effect of that is
6 there's actually .01 extra acres in escrow. So, there's a tiny little bit of additional
7 money, which we're going to have to deal with, you know, in the future. But
8 essentially the way the acreage worked, you've got the right amount...at least it's
9 our view, that you have a little more money in escrow, .01 acres extra with regard
10 to these...these one, two, three, four tracts, than you should have had. So, you
11 know, we can provide Bob with...you know, with that spreadsheet and that
12 information so he can check that. But it looks like the money, you know, is there
13 and it's actually slightly in excess.

14 On a notice issue, just...I'm sorry, I just beg to differ. I don't see
15 what---.

16 BENNY WAMPLER: Well, you're...you're representing to the Board
17 that your leases cover the notice issue under the section of law that's quoted
18 here.

19 MARK SWARTZ: It enables us to pay royalty in a way that doesn't
20 require us to drag them in here, yes, I mean, to be specific.

21 BENNY WAMPLER: Or to notify them?

22 MARK SWARTZ: Correct.

23 SHARON PIGEON: They don't have your lease agreements, of
24

1 course, to determine whether they agree with you interpretation of that.

2 MARK SWARTZ: Who?

3 SHARON PIGEON: The Board.

4 MARK SWARTZ: No.

5 SHARON PIGEON: And so I'm going to ask you, do your lease
6 agreements provide we're going to pay you X dollars for X acreage, so much per
7 acre?

8 MARK SWARTZ: It's a royalty. It's...you know, it's their percentage-
9 --.

10 SHARON PIGEON: So, if their acreage---?

11 MARK SWARTZ: ---of production.

12 SHARON PIGEON: If their acreage is reduced by this repooling,
13 how will that affect your---?

14 MARK SWARTZ: We're going to recoup money from them. We've
15 overpaid Hurt McGuire, we've overpaid Reserve Coal Properties and we've
16 overpaid Clyborne and we have an ability under our leases to recoup the money
17 that we gave to Mr. Robinson from them. That's how this balances out. Our
18 leases allow us to do that. You know, and they're going to get a statement that
19 says we're recouping it. If they argue with us, we're going to have some, you
20 know, further discussions and potentially a contract issue. But, I mean, that's...
21 that's how it works with your lessors.

22 BENNY WAMPLER: So, it becomes a private contractual
23 agreement?

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1 MARK SWARTZ: It is. It is. I mean, you know, the reverse would
2 not be as simple. I mean, if we had overpaid Mr. Robinson, we have no
3 agreement with him and we have no ability to recoup. You know, as luck would
4 have it here, you know, the people that we overpaid, we have an ability to recoup.
5 So, we don't need to come to you for any assistance at all. As long as the
6 escrow account is approximately in balance and it is off by .01 acres in the plus
7 side, you know, and we have an ability on a private basis to recoup from the
8 people that got over disbursed and we settle up with him. So, that's where we are
9 on that.

10 SHARON PIGEON: Did your private lease agreements utilize the
11 same boundary information or tracts that you relied on in the first pooling?

12 MARK SWARTZ: It wouldn't. I mean, our leases don't really have
13 much boundary information in them. They usually are a list of conveyances with
14 their approx...containing approximately. So, there's really no...it would be rare
15 that there was good information in a list with regard to the acreage. There would
16 absolutely be no information in a list that would attribute lease acreage to a unit.
17 So, I mean, that's always a calculation. I mean, it's just not going to happen.

18 BENNY WAMPLER: It would be based on tracts?

19 MARK SWARTZ: Well, the problem is, you know, you've got...a lot
20 of our leases are thousands of acres. So, you've got a laundry list of
21 conveyances that cover...you know, perhaps they put together a package so that
22 they maybe covering ten thousand acres or something and you put a unit in there
23 and it intercepts the tracts in ways that don't necessarily include entire tracts so
24

1 that the pieces wouldn't be addressed in the original lease agreement. You know,
2 the tracts that are a subject to the lease or the conveyances that are subject to a
3 lease just get listed and there is a lot of mapping, but it's never done in a lease. I
4 mean, occasionally there's a...a map attached to a lease, but not very often.

5 SHARON PIGEON: It's more in reliance on the chain of title in a
6 sense?

7 MARK SWARTZ: Right. Well...and the other thing, I mean, just to
8 really talk about what happens in a lease, we occasionally are told by people that
9 we take leases from that they have a mineral interest under a given tract that's
10 cataloged in their lease and it turn that there's no title there. So, you know, even
11 though we have a lease agreement, our lease says, you know, we're only going to
12 pay for stuff that we think, you know, ultimately you own. You know, I can't lease
13 somebody your property and expect them to pay me if it turns out it's your
14 property. So, I mean, that...that provision is there too. So, you know, title, you
15 know, leases are subject to defects in title. You know, most people aren't willing
16 to warrant their title. They're subject to mapping issues. And as long as you've
17 got a lease that allows you to pay royalty and to compute royalty, you're cool with
18 your lessors. The problem, you know, in terms of changing the way you pay
19 people is the Board order problem that you need to...you know, if we're going to
20 change tracts that were pooled that we don't have an agreement with those
21 people, the only we can modify that is to come back to you all and that's
22 what...what happened the last time we were here.

23 BENNY WAMPLER: Any questions from members of the Board?

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1 We just wanted to get clarification on this and make sure we had notice covered.

2 BOB WILSON: Mr. Chairman.

3 BENNY WAMPLER: Mr. Wilson.

4 BOB WILSON: I think what we still have to square with the
5 regulation is the statement that each respondent named in the order who is to be
6 modified whose interest will be affected by the proposed modification. And when
7 you read just acreage, yes, these people are subject to private agreements. But
8 when the Board takes action, as I see it, it is independent from these lease
9 agreements. If the Board is taking action that affects the interests of those
10 people, they should have the opportunity to appear before the Board and oppose
11 that action or at least comment on it, it would seem to me. I would think that that
12 is the point of that statement in the regul...in the regulation that applicants for a
13 hearing to modify a force pooling order shall notify everybody who is affected by
14 that modification.

15 MARK SWARTZ: No, it says each respondent.

16 BOB WILSON: Each respondent, but you named the respondent.

17 MARK SWARTZ: Right.

18 BOB WILSON: The operator gets to name the respondent.

19 MARK SWARTZ: So, your order is not binding on any of our
20 lessors. I mean, you don't have jurisdiction over them. We didn't bring them in
21 front of you. This order means nothing to them. I mean, you're not affecting their
22 interest. I mean, that...respondent is a technical term. And unless we name
23 somebody as a respondent, you don't have personal jurisdiction over that person

24

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1 to do anything with regard to their property. So, they can't appeal this order.
2 They're not...this order is not binding on our lessors. I mean, it enables us to
3 proceed when we take the leases and combine them with your order, but, you
4 know, you haven't exerted...the Board has not exerted jurisdiction over Hurt
5 McGuire, over Clyborne, except to the extent maybe you kept some of their
6 money, okay. But that's something that our leases allow us to say you can do.

7 SHARON PIGEON: I think what Bob is trying to say though is some
8 people, and we just didn't have enough information maybe before, perhaps should
9 have been named as respondent but were not because that was your decision.
10 And you may have been right, it's just there's a difference here. There's no
11 category out there with Rs on their foreheads and say these are the respondents
12 and these are not. You choose because you're saying the leased individual
13 should not be a respondent. I think---.

14 MARK SWARTZ: Well, we could...we could choose to join our
15 lessors as respondents---.

16 SHARON PIGEON: Well, I think the important point is whose
17 interest may be affected. That phrase is really the controlling phrase because---.

18 MARK SWARTZ: Well, it's---.

19 SHARON PIGEON: ---they will then not be affected by that.

20 MARK SWARTZ: No. It's to each respondent named in the order to
21 be modified whose each interest may be affected by the proposed modification.
22 Well, I'm not modifying a lease.

23 SHARON PIGEON: That's what we're saying...I mean, that's what I

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1 just said. Their interest won't be affected by this.

2 MARK SWARTZ: Correct.

3 SHARON PIGEON: And that's why they're not a respondent, not
4 because you just tell---

5 MARK SWARTZ: Right. It's a...I mean, it's a due process issue. If
6 we don't put somebody in the respondent blank. You know, we're not seeking an
7 order that affects them and in reality under the constitution, you can't enter an
8 order that affects them, not that we're asking for that. But, I mean, it's...it's...if we
9 don't put somebody in the respondent blank, it's a non event as far as we're
10 concerned.

11 SHARON PIGEON: But the reason you can choose is because their
12 interest are not going to be affected and not just because I want to choose every
13 other one on this list.

14 MARK SWARTZ: Well, actually, the reason we can choose is if we
15 have a private agreement with them that protects use from being sued for
16 converting their gas or trespassing on their property. I mean, that's the reality
17 here, you know.

18 SHARON PIGEON: But that's what it means. Their interest won't
19 be affected.

20 MARK SWARTZ: Well, yeah. But, I mean, if we didn't have that
21 agreement with them, we would be naming them as a respondent because there
22 is a significant downside to taking gas without an agreement or an order,
23 okay...you know. So, I mean, that's the reality of our choice.

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1 BENNY WAMPLER: Okay. Other questions from members of the
2 Board?
3 (No audible response.)
4 BENNY WAMPLER: Did you have anything, Mr. Robinson? We're
5 just clarifying here about the notice is all we're doing.
6 KYLE P. ROBINSON: So, I've got another notice right here for
7 March the 21st. Okay, are you...is this Board going to rehear my case again?
8 LESLIE K. ARRINGTON: A different issue.
9 BENNY WAMPLER: Whatever the---.
10 KYLE P. ROBINSON: I want to know why it is.
11 LESLIE K. ARRINGTON: This is a different issue though that you've
12 gotten the notice for March the 21st.
13 BENNY WAMPLER: Yeah, that's not before us today. We can't
14 take that on.
15 KYLE P. ROBINSON: Yeah.
16 BENNY WAMPLER: I don't know. I mean, until we do that, I can't
17 answer that. I mean, they're in a better position to answer that than I am. I
18 haven't seen---.
19 LESLIE K. ARRINGTON: This is a different docket item. It's
20 something entirely different than he's talking about there.
21 BENNY WAMPLER: Not...not dealing with the acreage that is dealt
22 with here?
23 LESLIE K. ARRINGTON: It's dealing with the P-40 unit, yes, sir.
24

1 BENNY WAMPLER: That's what he's asking.

2 LESLIE K. ARRINGTON: Yes. It is dealing with---.

3 BENNY WAMPLER: So, yeah.

4 LESLIE K. ARRINGTON: But it's for something different.

5 BENNY WAMPLER: I understand. You're modifying something.

6 LESLIE K. ARRINGTON: It's for long hole drilling of which we've

7 never dealt with in the P-40 unit.

8 BENNY WAMPLER: But as far as he issues...I'm just trying to

9 answer his question here. As far as his issues on acreage and stuff like that,

10 you're not changing...you're not proposing to change any of that?

11 LESLIE K. ARRINGTON: No, no.

12 KYLE P. ROBINSON: Since you...since you discovered that where

13 the acreage...over acreage there, are you going to go ahead and pay me?

14 LESLIE K. ARRINGTON: Yes, sir. There is...you should have---.

15 KYLE P. ROBINSON: The 1.9 acres you just said that you had over.

16 MARK SWARTZ: Do you mean the .01 acres?

17 KYLE P. ROBINSON: Yeah. Are you going to add that to mine?

18 MARK SWARTZ: Not unless you come in with a survey that puts

19 that on your property.

20 KYLE P. ROBINSON: Well, that's the overage that I'm short right

21 there.

22 MARK SWARTZ: No, we paid too much. It's kind of like, you know,

23 over paid.

24

1 KYLE P. ROBINSON: Oh. You said you had a surplus of 1.9 acres,
2 which it belongs to me.

3 MARK SWARTZ: I think Les gets that one back.

4 KYLE P. ROBINSON: That's where I found that acreage...you just
5 admitted to it.

6 BENNY WAMPLER: Okay. We'll go ahead and call the next unit if
7 there are no questions. I don't think the Board had to take any action on that
8 particular one. We just wanted clarification. The next item on the agenda is a
9 petition from CNX Gas Company, LLC for pooling of coalbed methane unit G-39.
10 This is docket number VGOB-06-0221-1577. We'd ask the parties that wish to
11 address the Board in this matter to come forward at this time.

12 MARK SWARTZ: Mark Swartz and Les Arrington.

13 BENNY WAMPLER: The record will show no others. You may
14 proceed.

15 MARK SWARTZ: I would like to incorporate Les' testimony from the
16 prior hearing with regard to the applicant, the operator, lease terms and his
17 employment, if I could.

18 BENNY WAMPLER: That will be incorporated.

19

20 LESLIE K. ARRINGTON

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23 Q. Les, you need to state your name again.

24

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1 A. Leslie K. Arrington.

2 Q. And I'll just remind you that you're still under oath.

3 A. Yes, sir.

4 Q. The...this application regarding G-39 concerns an

5 Oakwood I unit?

6 A. Yes, it does.

7 Q. 80 acres?

8 A. Yes.

9 Q. How many wells?

10 A. One.

11 Q. And is this one in the window?

12 A. Yes, it is.

13 Q. Okay. Have you listed the respondents that you're seeking

14 to affect by this application in the notice of hearing and in Exhibit B-3?

15 A. Yes, we have.

16 Q. Do you want to add anybody or deduct... subtract anybody

17 from the respondent's list today?

18 A. No.

19 Q. What did you do to notify the respondents that there was

20 going to be a hearing regarding G-39?

21 A. We mailed by certified mail return receipt requested on

22 January the 20th, 2006. We published in the Bluefield Daily Telegraph on

23 January the 27th, 2006.

24

25

1 Q. Have you filed proofs with regard to mailing and with
2 regard to publication with Mr. Wilson?

3 A. Yes, we have.

4 Q. Okay. And when you published, what did you publish?

5 A. The notice of hearing and the location map.

6 Q. Okay. The plan here for development is to drill one frac
7 well in the window, right?

8 A. Yes, it is.

9 Q. Okay. Do you...is it your opinion that that is a reasonable
10 plan to develop the coalbed methane within and under this unit?

11 A. Yes, it is.

12 Q. Okay. It looks like this well may have been drilled?

13 A. No, I don't believe.

14 Q. Okay. But it has a permit?

15 A. Yes. 6537.

16 Q. And the estimated depth?

17 A. 1893 feet.

18 Q. And the estimated costs?

19 A. \$235,437.15.

20 Q. Okay. Tell the Board what you've been able to acquire in
21 terms of interests in this unit by a lease or a purchase and what you need to pool.
22

23 A. Yes. We have leased 99.9875% of the coal, oil and gas
24

1 owner's claim to coalbed methane. We're seeking to pool 0.0125% of the coal, oil
2 and gas owner's claim to coalbed methane.

3 Q. And it looks like the only escrow requirement as indicated
4 in Exhibit E would be with regard to Tract 3.

5 A. Yes, sir.

6 Q. Okay. And that's just a straight conflicts issue?

7 A. That's correct.

8 Q. Okay. Is it your opinion that if you take the leasing that
9 you've accomplished and combine that with a pooling order pooling the
10 respondents that you will, in effect, have protected the correlative rights of all
11 owners and claimants to the coalbed methane gas in this unit?

12 A. Yes, it is.

13 MARK SWARTZ: That's all I have, Mr. Chairman.

14 BENNY WAMPLER: Questions from members of the Board?

15 (No audible response.)

16 BENNY WAMPLER: Is there a motion?

17 JOSE SIMON: So moved.

18 PEGGY BARBAR: I'll second.

19 BENNY WAMPLER: Motion to approve and second. Any further
20 discussion?

21 (No audible response.)

22 BENNY WAMPLER: All in favor, signify by saying yes.

23 (All Board members signify by saying yes.)

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1 BENNY WAMPLER: Opposed, say no.

2 (No audible response.)

3 BENNY WAMPLER: You have approval. The next item on the
4 agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane
5 unit B-25. This is docket number VGOB-06-0221-1578. I'd ask the parties that
6 wish to address the Board in this matter to come forward at this time.

7 MARK SWARTZ: Mark Swartz and Les Arrington.

8 BENNY WAMPLER: The record will show there are no others. You
9 may proceed.

10 MARK SWARTZ: Mr. Chairman, I'd like to incorporate the testimony
11 that Mr. Arrington made in the first hearing with regard to the applicant, the
12 operator, proposed lease terms and his employment.

13 BENNY WAMPLER: That will be incorporated.

14 MARK SWARTZ: With regard to this...this unit, Anita is passing out
15 some exhibits. So, you know, our numbers with regard to interest to be pooled
16 and interest acquired on A, page two, you should use the ones in the exhibits you
17 got today. The same for B-3 and B-2. B-2 would be a new exhibit.

18 (Anita Duty passes out exhibits.)

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LESLIE K. ARRINGTON
DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

- Q. Mr. Arrington, I'll remind you that you're under oath, okay?
- A. Yes.
- Q. What kind of unit is this?
- A. It's Oakwood, 80 acres.
- Q. And how many wells?
- A. One.
- Q. Where is it located?
- A. Within the window.
- Q. Okay. Do you have a permit?
- A. Yes. 7090.
- Q. And the estimated depth?
- A. 2628.
- Q. And the estimated costs?
- A. \$240,777.20.
- Q. Okay. Since filing the pooling application, have you
determined that you need to change the list or lineup of respondents?
- A. Yes, we did.
- Q. Okay. And what's the reason for that change?
- A. We had to dismiss one as not being an owner.
- Q. Okay.

1 A. Two parties have been leased.

2 Q. Okay. Have you provided the Board with an Exhibit B-2

3 today that lists the folks that you're proposing be dismissed as respondents and

4 gives the reason for that?

5 A. Yes, we did.

6 Q. Okay. And then have you filed a revised Exhibit B-3?

7 A. Yes, we have.

8 Q. And is the difference between the original B-3 and the new

9 that we see today simply that you've extracted the names of the people who were

10 either not an owner or from who you've obtained leases after you filed?

11 A. Yes, we did.

12 Q. And then lastly, the exhibits that you...the new exhibits that

13 you filed today, there's an Exhibit A, page two, correct?

14 A. Yes.

15 Q. Could you summarize for the Board what you've been able

16 to acquire or lease in this unit and what you're seeking to pool?

17 A. Yes. We've leased 97.8937% of the coal, oil and gas

18 owner's claim to coalbed methane. We're seeking to pool 2.1063% of the coal, oil

19 and gas owner's claim to coalbed methane.

20 Q. Okay. Now, when you noticed this for today, and we'll get

21 to that in a minute, did you...did you also notice the people that you're dismissing?

22 A. Yes.

23 Q. Okay. What did you do to give notice to everybody that

24

1 was listed as a respondent initially?

2 A. We noticed by certified mail return receipt requested on
3 January the 20th, 2006. We published in the Bluefield Daily Telegraph on
4 January the 26th, 2006.

5 Q. Okay. We've got a title issue, meaning an unresolved
6 question on title in Tract 4, correct?

7 A. Yes.

8 Q. And we've got an unknown address in Tract 4?

9 A. Yes.

10 Q. And we've got some conflicts in Tract 4, I think. Well, no,
11 we don't.

12 A. Yes.

13 Q. We do?

14 A. I believe. Okay, she says no.

15 Q. Okay. So, the reasons for escrow are limited to Tract 4
16 and there are two reasons: There's a title issue and if that's resolved, then there's
17 not a conflict---?

18 A. Right.

19 Q. ---because it's fee title?

20 A. Uh-huh.

21 Q. And then we've got an address unknown issue?

22 A. Yes.

23 Q. And that would be the only reason to escrow?

24

1 A. Yes.

2 Q. And there are no split agreements?

3 A. No.

4 Q. Is it your opinion that drilling one well in this unit...in this 80

5 acre unit, within the window, fracing that well is a reason way to develop the

6 coalbed methane within and under this unit?

7 A. Yes, it is.

8 Q. And is it your opinion that if you combine a pooling order

9 pooling the respondents, minus the fact...the people that you're dismissing today

10 and combine that with the applicant's leasing efforts, all of the correlative rights of

11 all of the owners and claimants would be protected?

12 A. Yes, it would.

13 MARK SWARTZ: That's all I have.

14 BENNY WAMPLER: Where you have surface owners unknown in

15 tracts, are you crossing those tracts in any form or fashion?

16 LESLIE K. ARRINGTON: No, sir.

17 BENNY WAMPLER: Okay. Questions from members of the Board?

18 (No audible response.)

19 BENNY WAMPLER: Do you have anything further?

20 MARK SWARTZ: No.

21 DONALD RATLIFF: I move to approve, Mr. Chairman.

22 BENNY WAMPLER: Motion to approve. Is there a second?

23 PEGGY BARBAR AND JOSE SIMON: I second.

24

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1 BENNY WAMPLER: Second. Any further discussion?

2 (No audible response.)

3 BENNY WAMPLER: All in favor, signify by saying yes.

4 (All Board members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. The next item will be
8 number twelve for the Board. That is a petition from CNX Gas Company, LLC for
9 pooling of coalbed methane unit BH-118. This is docket number VGOB-06-0221-
10 1580. We'd ask the parties that wish to address the Board in this matter to come
11 forward at this time.

12 MARK SWARTZ: Mark Swartz and Les Arrington.

13 BENNY WAMPLER: The record will show no others. You may
14 proceed.

15 MARK SWARTZ: Mr. Chairman, I would like to incorporate Les'
16 testimony from the earlier hearing with regard to the applicant, the operator,
17 standard lease terms and his employment.

18 BENNY WAMPLER: That will be incorporated.

19

20 LESLIE K. ARRINGTON

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23 Q. Les, you need to state your name again.

24

--

1 A. Yes, Leslie K. Arrington.
2 Q. And you're still under oath, right?
3 A. Yes, sir.
4 Q. Okay. What kind of unit is this?
5 A. It's a Middle Ridge.
6 Q. How many acres?
7 A. 58.74.
8 Q. Okay. And how many wells are proposed?
9 A. One.
10 Q. And where is it located?
11 A. It's within the drilling window.
12 Q. Okay. Is it going to be frac well?
13 A. Yes, it is.
14 Q. Do you have a permit?
15 A. Yes. 7104.
16 Q. And what's the estimated depth?
17 A. 2,674 feet at a cost of \$233,246.25.
18 Q. Okay. Have you listed the people that you...that you want
19 to pool in both the notice and Exhibit B-3?
20 A. Yes, we have.
21 Q. Do you want to add anybody on that list today?
22 A. No.
23 Q. Do you want to subtract anybody?
24

1 A. No.

2 Q. Okay. What did you do to notify those respondents that we
3 were going to have a hearing?

4 A. We mailed by certified mail return receipt requested on
5 January the 20th, 2006. We published in the Bluefield Daily Telegraph on
6 January the 28th, 2006.

7 Q. Okay. When you published, what did you publish?

8 A. The notice of hearing and location map.

9 Q. And have you provided proofs of publication and proofs of
10 mailing or certificates with regard to mailing to Mr. Wilson?

11 A. Yes, we have.

12 Q. Okay. What interests have you acquired and what are you
13 seeking to pool?

14 A. We've acquired 100% of the coal owner's claim to coalbed
15 methane; and 99.9161% of the oil and gas owner's claim to coalbed methane.
16 We're seeking to pool 0.0839% of the coal...I mean, the oil and gas owner's claim
17 to coalbed methane.

18 Q. Okay. With regard to escrow, there's an Exhibit E---?

19 A. Yes, for Tract 3-A and 3-B.

20 Q. Okay. And that would be a traditional conflict?

21 A. Yes.

22 Q. And then you've got an address unknown in 3-B as well?

23 A. Yes, sir.

24

1 Q. And are those the only reasons for escrow?
2 A. Yes.
3 Q. No split agreements?
4 A. No.
5 Q. Okay. Is the plan to drill one frac well in the window of this
6 unit, in your judgement, a reasonable plan to develop coalbed methane in this
7 Middle Ridge unit?
8 A. Yes, it is.
9 Q. And if you take the interest...the leases and acquisition of
10 interest that you've been able to...the applicant has been able to do and combine
11 that with a pooling order pooling these respondents, is it your opinion that those
12 two things will protect the correlative rights of all owners and claimants?
13 A. Yes, it will.
14 MARK SWARTZ: That's all I have.
15 BENNY WAMPLER: I believe you said the address unknown was in
16 3-B.
17 MARK SWARTZ: I thought it was.
18 LESLIE K. ARRINGTON: Yeah, I hope so.
19 MARK SWARTZ: If you look...yeah, I mean, unless I'm missing
20 something. Diane Dowling, Cheryl Cox...are we looking at something---?
21 BENNY WAMPLER: Well, it's A...it's A on mine.
22 MARY QUILLEN: B-3?
23 SHARON PIGEON: It's A on mine too.

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1 PEGGY BARBAR: I see it on Tract 3-B.
2 MARY QUILLEN: 3-B?
3 PEGGY BARBAR: Uh-huh.
4 MARY QUILLEN: I do too.
5 SHARON PIGEON: Page four.
6 BENNY WAMPLER: Are you on four of four, Exhibit E?
7 PEGGY BARBAR: I'm one of one.
8 MARY QUILLEN: One of one.
9 SHARON PIGEON: Exhibit E is the escrow.
10 BENNY WAMPLER: Exhibit E. That's what he was talking about.
11 MARY QUILLEN: Oh, yeah. Uh-huh. Exhibit E, yeah, four of four.
12 BENNY WAMPLER: Are you sure it's A?
13 MARY QUILLEN: Uh-huh, it is---.
14 BENNY WAMPLER: Okay.
15 MARY QUILLEN: ---on Exhibit E.
16 BENNY WAMPLER: Do you need to look at mine?
17 MARK SWARTZ: I'm still in 3-B.
18 LESLIE K. ARRINGTON: Yeah.
19 MARK SWARTZ: I mean, I don't...I don't know.
20 MARY QUILLEN: Are you in---?
21 BENNY WAMPLER: Well, I can show---.
22 SHARON PIGEON: On Exhibit E.
23 MARK SWARTZ: Yeah, maybe we gave you something---.

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1 LESLIE K. ARRINGTON: Yeah, maybe something got in there.
2 DONALD RATLIFF: My is 3-A.
3 MARY QUILLEN: Mine says B-3.
4 MARK SWARTZ: If you come down---.
5 BENNY WAMPLER: Okay.
6 MARK SWARTZ: It's just...okay, it's easy to miss those things.
7 BENNY WAMPLER: Yeah, I missed that. I missed it.
8 MARK SWARTZ: Not a problem.
9 BENNY WAMPLER: Okay.
10 MARK SWARTZ: You had me on a roll for a while too. I was like,
11 what did I do here, you know.
12 DONALD RATLIFF: So, it's right.
13 BENNY WAMPLER: It's 3 under 3-B is what it is.
14 SHARON PIGEON: You have to go back to page two.
15 BENNY WAMPLER: If you back here. It's---.
16 MARY QUILLEN: 3 under 3-B.
17 BENNY WAMPLER: See, he's under 3...he's in 3-B.
18 MARY QUILLEN: Right. Yeah, right there.
19 BENNY WAMPLER: Number 3.
20 DONALD RATLIFF: All of that is under 3-B?
21 MARY QUILLEN: Yeah.
22 DONALD RATLIFF: Okay.
23 BENNY WAMPLER: It's just way Mark...Mark typed it up that made

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1 it confusing.

2 MARK SWARTZ: Yeah.

3 LESLIE K. ARRINGTON: Yeah.

4 MARK SWARTZ: A lot of typing skill in me.

5 (Laughs.)

6 BENNY WAMPLER: Sorry about that.

7 MARK SWARTZ: That's all right.

8 BENNY WAMPLER: Any other questions from members of the

9 Board?

10 (No audible response.)

11 BENNY WAMPLER: Do you have anything further?

12 MARK SWARTZ: No, I don't.

13 DONALD RATLIFF: I move to approve, Mr. Chairman.

14 BENNY WAMPLER: Motion to approve. Is there a second?

15 PEGGY BARBAR: Second.

16 BENNY WAMPLER: Second. Any further discussion?

17 (No audible response.)

18 BENNY WAMPLER: All in favor, signify by saying yes.

19 (All Board members signify by saying yes.)

20 BENNY WAMPLER: Opposed, say no.

21 (No audible response.)

22 BENNY WAMPLER: You have approval. The next item on the

23 agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane

24

1 unit BJ-116. This is docket number VGOB-06-0221-1581. We'd ask the parties
2 that wish to address the Board in this matter to come forward at this time.

3 MARK SWARTZ: Mark Swartz and Les Arrington.

4 BENNY WAMPLER: The record will show no others. You may
5 proceed.

6 MARK SWARTZ: I'd like to request that we incorporate Mr.
7 Arrington's prior testimony with regard to the applicant, the operator, the lease
8 terms and his employment.

9 BENNY WAMPLER: That will be incorporated.

10

11 LESLIE K. ARRINGTON

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. SWARTZ:

14 Q. Les, would you state your name for us?

15 A. Yes. Leslie K. Arrington.

16 Q. I'll remind you that you're still under oath.

17 A. Yes.

18 Q. What kind of unit is this?

19 A. Middle Ridge. It's 58.74 acres.

20 Q. How many wells?

21 A. One.

22 Q. Where is it located?

23 A. Within the window.

24

--

1 Q. And is this proposed to be a frac well?

2 A. Yes, it is.

3 Q. Do you have a permit?

4 A. 7146 to a depth of 2730 at a cost of \$249,622.06.

5 Q. There's quite a list of folks in the notice of hearing

6 respondent section, correct?

7 A. Yes, it is.

8 Q. We've got the same list probably at Exhibit B-3?

9 A. Yes.

10 Q. What did you do to notify those people that there was

11 going to be a hearing today?

12 A. We notified by certified mail return receipt requested on

13 January the 20th, 2006. We published in the Bluefield Daily Telegraph on

14 January the 30th, 2006.

15 Q. And have you filed proofs with regard to publication and

16 your certification with regard to mailing with Mr. Wilson?

17 A. Yes, we have.

18 Q. And when you published, what did you publish?

19 A. We published the notice of hearing and the location map.

20 Q. Okay. Do you want to add any people to the list of

21 respondents today or dismiss any people?

22 A. No.

23 Q. Would you tell the Board what interests the applicant has

24

1 been able to acquire in this unit and what interest you're seeking to pool?

2 A. Yes. We've leased 99.516% of the coal owner's claim to
3 coalbed methane; and 98.9098% of the oil and gas owner's claim to coalbed
4 methane. We're seeking to pool 0.484% of the coal owner's claim to coalbed
5 methane and 1.0902% of the oil and gas owner's claim to coalbed methane.

6 Q. The question of escrow, you filed an Exhibit E with the
7 application, correct?

8 A. Yes. For Tract 2, 8 and 9. 8 and 9 has a title conflict and
9 9 has escrow for unknowns.

10 Q. No split agreements?

11 A. No.

12 Q. Is it your opinion that the plan to drill a frac well in the
13 window of this unit, is a reasonable plan to develop the coalbed methane under
14 the unit?

15 A. Yes, it is.

16 Q. And is it your opinion that if you combine the leasing efforts
17 that you have engaged in and acquisition efforts, which have got you about 99%
18 of the unit, if you combine that with the pooling...a pooling order pooling the
19 respondents that you've named that literally you've accounted for everyone and
20 protected the correlative rights of all owners and claimants?

21 A. Yes, we have.

22 MARK SWARTZ: That's all I have.

23 BENNY WAMPLER: Any questions from members of the Board?

24

--

1 (No audible response.)

2 BENNY WAMPLER: Is there a motion?

3 JOSE SIMON: So moved.

4 PEGGY BARBAR: I second.

5 BENNY WAMPLER: Move for approval and a second. Any further

6 discussion?

7 (No audible response.)

8 BENNY WAMPLER: All in favor, signify by saying yes.

9 (All Board members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: You have approval. The next item on the

13 agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane

14 unit BK-116. This is docket number VGOB-06-0221-1582. We'd ask the parties

15 that wish to address the Board in this matter to come forward at this time.

16 MARK SWARTZ: Mark Swartz and Les Arrington.

17 BENNY WAMPLER: The record will show no others. You may

18 proceed.

19 MARK SWARTZ: Mr. Chairman, I would ask that we incorporate the

20 testimony of...the prior testimony of Mr. Arrington with regard to the applicant, the

21 operator, lease terms and his employment.

22 BENNY WAMPLER: That will be incorporated.

23

24

1

2

3

LESLIE K. ARRINGTON

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6

Q. Les, you need to state your name again.

7

A. Leslie K. Arrington.

8

Q. Who do you work for?

9

A. CNX Gas Company.

10

Q. What kind of unit is this one?

11

A. Middle Ridge with 58.74 acres.

12

Q. How many wells?

13

A. One.

14

Q. And where is it located?

15

A. Within the window.

16

Q. And is it proposed to be a frac well?

17

A. Yes, it is.

18

Q. What...do you have a permit yet?

19

A. Yes. 7098 drilled to a depth of 2,771 feet at a cost of

20 \$251,229.25.

21

Q. Have you listed the folks that you're seeking to pool by this

22 application both in the notice of hearing and Exhibit B-3?

23

A. Yes, we have.

24

--

1 Q. Do you want to add any people to that list?

2 A. No.

3 Q. Do you want to dismiss any people today?

4 A. No.

5 Q. What did you do to notify them that we were going to have

6 a hearing today?

7 A. We mailed by certified mail return receipt on January the

8 20th, 2006. We published in the Bluefield Daily Telegraph on January the 28th,

9 2006.

10 Q. Have you filed certificates with regard to mailing and

11 proofs with regard to publication with Mr. Wilson?

12 A. Yes, we have.

13 Q. And when you published, what did you publish?

14 A. The notice of hearing and location map.

15 Q. Okay. Tell the Board what interests you've been able to

16 acquire by lease or otherwise and what interest you're seeking to pool.

17 A. We've leased 100% of the coal owner's claim to coalbed

18 methane; and we've leased 54.4093% of the oil and gas owner's claim to coalbed

19 methane. Did I give that number?

20 Q. Yes.

21 A. 54.4093% has been leased. We're seeking to pool

22 45.5907% of the oil and gas owner's claim to coalbed methane.

23 Q. You've got some escrow requirements here, right?

24

1 A. Yes.

2 Q. Okay. What...what...from Exhibit E, what tracts are you
3 seeking to establish escrow accounts for?

4 A. Okay. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15 and 17.

5 Q. Okay. And those would be for a traditional conflict
6 situation?

7 A. Yes.

8 Q. Now, we have an address issue in Tract 5, I think.

9 A. That's correct.

10 Q. Okay. And then we have actually a title issue that needs to
11 be resolved in a number of tracts and, I think, those are Tracts 1, 5, 8, 9 and 17, is
12 that right?

13 A. That's correct, yes.

14 Q. You have no split agreements?

15 A. No.

16 Q. Is it your opinion that if you take the pooling order pooling
17 these respondents and combine that with the applicant's leasing efforts, we'll
18 have accounted for all owners and claimants and protected all of their correlative
19 rights?

20 A. Yes, it will.

21 Q. And is the plan to drill a frac well in this Middle Ridge unit,
22 in the window, a reasonable plan to develop coalbed methane from this unit??

23 A. Yes, it is.

24

--

1 MARK SWARTZ: That's all I have.

2 BENNY WAMPLER: Why so little...I know you don't have to have a
3 percentage, but why so little percentage of it leased?

4 LESLIE K. ARRINGTON: I believe, this was a...I'll have to look
5 back. I believe, this is a large heirship. The majority of it was a large heirship
6 that, as you can see, we've started to identifying them. What we initially do is, as
7 we mail this out, we would also mail leases out and contact as many as we can by
8 phone. We've not been real successful on that one.

9 BENNY WAMPLER: On one like this, how long does that typically
10 take?

11 LESLIE K. ARRINGTON: I'm sorry?

12 BENNY WAMPLER: How long does it typically take to identify all of
13 the owners on a situation like this?

14 LESLIE K. ARRINGTON: As...sometimes it's a long time.
15 Sometimes it takes us a while to identify them. I don't know what kind of time
16 frame you're looking for here.

17 BENNY WAMPLER: I was just wondering. Just curiosity. It doesn't
18 have anything to do with the order.

19 LESLIE K. ARRINGTON: No, sir.

20 BENNY WAMPLER: I was just wondering. Is this like a year or is
21 this six months or is this something you just started?

22 LESLIE K. ARRINGTON: Probably a couple of months.

23 BENNY WAMPLER: Okay. I mean, the Board traditionally---.

24

1 JOSE SIMON: What---?

2 BENNY WAMPLER: I'm sorry. ---has been concerned about, you
3 know, just throwing applications before us. That's kind of why I was asking the
4 question.

5 MARY QUILLEN: It seems like an awful lot for
6 this---.

7 JOSE SIMON: Yeah, you've got 20 unknown owners.

8 MARY QUILLEN: Uh-huh.

9 MARK SWARTZ: I mean, Tract 5 is the problem, you know,
10 basically. There's a bunch of address unknown people. I mean, that's...that's the
11 problem they're having.

12 MARY QUILLEN: Uh-huh.

13 LESLIE K. ARRINGTON: And as Anita is pointing out, the one tract
14 here that you're speaking to with all the unknowns, if you'll notice, it's a title issue
15 also.

16 MARK SWARTZ: Yeah, if the title issue got resolved the right way,
17 you'd only have to deal with about six people, right?

18 LESLIE K. ARRINGTON: Yeah.

19 (Laugh.)

20 JOSE SIMON: Is that what you're working towards?

21 (Laugh.)

22 MARK SWARTZ: It could be a goal, you know, but I'm not sure.

23 JOSE SIMON: Yeah.

24

1 MARK SWARTZ: I'm not sure.

2 BENNY WAMPLER: Other questions from members of the Board?

3 (No audible response.)

4 BENNY WAMPLER: I was just going to keep up with a Max Lewis

5 tradition, you know, in giving you a hard time when you come in here with not a lot

6 of people leased.

7 (Laughs.)

8 MARK SWARTZ: Somebody has got to carry the flag.

9 BENNY WAMPLER: That's right.

10 MARK SWARTZ: Just...it's interesting to...when the legislature in

11 '90 passed the pooling act, they put in a minimum percentage for conventional

12 gas. I think it's 25%. I don't do much of that.

13 BENNY WAMPLER: 25%.

14 MARK SWARTZ: But, you know, if you don't have 25%, you go

15 home. For coalbed methane, you don't have to have anything. I mean, you could

16 have like a 1% or less. Obviously, we tried to do way better than that.

17 BENNY WAMPLER: That was just a little unusual. Other questions

18 from members of the Board?

19 (No audible response.)

20 BENNY WAMPLER: Do you have anything further?

21 (No audible response.)

22 MARK SWARTZ: No.

23 DONALD RATLIFF: Move to approve, Mr. Chairman.

24

1 BENNY WAMPLER: Motion to approve. Is there a second?

2 MARY QUILLEN: Second.

3 BENNY WAMPLER: Second. Any further discussion?

4 (No audible response.)

5 BENNY WAMPLER: All in favor, signify by saying yes.

6 (All Board members signify by saying yes.)

7 BENNY WAMPLER: Opposed, say no.

8 (No audible response.)

9 BENNY WAMPLER: You have approval. The next item on the

10 agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane

11 unit CC-30, docket number VGOB-06-0221-1583. We'd ask the parties that wish

12 to address the Board in this matter to come forward at this time.

13 MARK SWARTZ: Mark Swartz and Les Arrington.

14 BENNY WAMPLER: The record will show no others. You may

15 proceed.

16 MARK SWARTZ: Mr. Chairman, again, I'd like to incorporate Mr.

17 Arrington's prior testimony with regard to the applicant, the operator, lease terms

18 and his employment.

19 BENNY WAMPLER: That will be incorporated.

20

21 LESLIE K. ARRINGTON

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. SWARTZ:

24

1 Q. Les, you need to state your name again.
2 A. Yes. Leslie K. Arrington.
3 Q. Who do you work for?
4 A. CNX Gas Company, LLC.
5 Q. This unit, CC-30, what kind of unit is that?
6 A. It's an Oakwood 80 acre unit.
7 Q. How many wells are proposed?
8 A. One.
9 Q. Where is it located?
10 A. Within the drilling window.
11 Q. Okay. And is it planned that this would be a frac well?
12 A. Yes, it is.
13 Q. Okay. Do you have a permit?
14 A. 7075 to a depth of 1,710 feet. Cost is \$240,559.30.
15 Q. You've got some folks listed in your notice of hearing,
16 correct?
17 A. Yes, we do.
18 Q. And you've listed them again in Exhibit B-3 as the people
19 that you're going to seek to pool today?
20 A. That's correct.
21 Q. What did you do to let them know that there would be a
22 hearing?
23 A. We mailed by certified mail return receipt requested on
24

1 January the 20th, 2006 and published in the Bluefield Daily Telegraph on January
2 the 30th, 2006.

3 Q. Have you filed certificates with regard to mailing and
4 proofs with regard to publication with Mr. Wilson?

5 A. Yes, we have.

6 Q. When you published, what did you publish?

7 A. The notice of hearing and location map.

8 Q. Okay. Would you tell the Board what interests you've
9 been able to acquire and what it is you're seeking to pool?

10 A. Yes, we have 100% of the coal owner's claim to coalbed
11 methane leased; 98.9956% of the oil and gas owner's claim to coalbed methane
12 leased. We're seeking to pool 1.0044% of the oil and gas owner's claim to
13 coalbed methane.

14 Q. I neglected to ask you this. Do you want to add anybody
15 as a respondent today or subtract anybody as a respondent?

16 A. No.

17 Q. Okay. You've got an Exhibit E that you filed with regard to
18 escrow?

19 A. Yes, for Tract 2 and 3-A.

20 Q. And would that be just a typical conflicts issues?

21 A. Yes, it is.

22 Q. Okay. And is there an address issue as well?

23 A. In Tract 2.

24

--

1 Q. Okay. Is there an Exhibit EE that you filed today?

2 A. Yes, for Tract 3-A and 3-B.

3 Q. Okay. And Exhibit EE is a representation to the Board that

4 some of the people that would otherwise require their friends to be escrowed have

5 entered into split agreements, correct?

6 A. Yes, correct.

7 Q. And are you asking that the Board, in any order it might

8 enter, allow you to pay the people with split agreements directly in accordance

9 with the terms of their agreements rather than requiring you to escrow their funds?

10 A. Yes, we are.

11 Q. Is it your opinion that drilling one frac well in the window of

12 this 80 acre unit is a reasonable way to develop the coalbed methane in this unit?

13 A. Yes, it is.

14 Q. Is it your opinion that if you combine your leasing efforts

15 and acquisition efforts with a pooling order pooling the people you've named as

16 respondents, that you will have accounted for everyone and all interests and

17 claims and protected the correlative rights of both of your lessors and the people

18 that are being pooled?

19 A. Yes, we will.

20 MARK SWARTZ: That's all I have.

21 BENNY WAMPLER: Any questions from members of the Board?

22 (No audible response.)

23 BENNY WAMPLER: Is there a motion?

24

1 DONALD RATLIFF: Motion to approve, Mr. Chairman.

2 BENNY WAMPLER: Motion to approve. Is there a second?

3 JOSE SIMON: Second.

4 BENNY WAMPLER: Second. Any further discussion?

5 (No audible response.)

6 BENNY WAMPLER: All in favor, signify by saying yes.

7 (All Board members signify by saying yes.)

8 BENNY WAMPLER: Opposed, say no.

9 (No audible response.)

10 BENNY WAMPLER: You have approval. Thank you.

11 MARK SWARTZ: Thank you all.

12 LESLIE K. ARRINGTON: Benny, next month we might...ours might

13 be a little big. So, be prepared.

14 BENNY WAMPLER: I've heard that.

15 SHARON PIGEON: Put him on the end of the docket.

16 BENNY WAMPLER: Thank you. Okay, we're going to take ten

17 minutes, just as a little preventive measure here.

18 (Break.)

19 BENNY WAMPLER: The next item on the agenda is a petition from

20 Columbia Natural Resources, LLC for a well location exception for proposed well

21 825809. This is docket number VGOB-06-0117-1571. We'd ask the parties that

22 wish to address the Board in this matter to come forward at this time.

23 JIM KAISER: Mr. Chairman and members of the Board, Jim Kaiser

24

1 and Robert Keenon on behalf of Columbia. I'd ask that Mr. Keenon be sworn at
2 this time.

3 (Robert L. Keenon is duly sworn.)

4 BENNY WAMPLER: There showing no others, you may proceed.

5

6

7 ROBERT L. KEENON

8 having been duly sworn, was examined and testified as follows:

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. KAISER:

11 Q. Mr. Keenon, if you could state your name for the Board,
12 who you're employed by and in what capacity?

13 A. My name is Robert L. Keenon. I'm employed by
14 Chesapeake Energy as a Southwest District Engineer...I'm sorry, Southwest
15 District Manager.

16 Q. And do your responsibilities include the land involved in this
17 unit and in the surrounding area?

18 A. They do.

19 Q. Are you familiar with the application that we filed seeking a
20 location exception for this well?

21 A. Yes.

22 Q. Have all interested parties been notified as required by
23 Section 4(B) of the Virginia Gas and Oil Board Regulations?

24

--

1 A. Yes.

2 Q. Could you indicate for the Board the ownership of the oil
3 and gas underlying the proposed unit for well number 82580?

4 A. CNR has a 100%.

5 Q. And does CNR have the right to operate all reciprocal
6 wells, that being the wells that we're seeking an exception from, in this case just
7 being the one well?

8 A. Yes.

9 Q. Are there any correlative rights issues?

10 A. No.

11 Q. Okay. Explain for the Board, in conjunction with the
12 application that we filed, why we're seeking this particular exception.

13 A. I'm trying to minimize the impact on future mining
14 operations and the surrounding terrain. I would like to kind of digress just a little
15 bit. At one point, this...the mineral resources were controlled by a separate
16 company called Buchanan Energy. Since the time that the preliminary
17 investigation was done, that territory was sold to Alpha Land Resources. They're
18 currently evaluating the prospect. And as Bob may be aware, while we say that
19 we're requesting that the location exception to optimize the mining operations,
20 they do currently have an objection, one filed against this. But that is really just
21 due to the timing of the sell and the acquisition of the assets. Alpha is really just
22 kind of currently looking at the information that Buchanan has, getting a little bit
23 more familiar with the operations and that here in the very near future, we do
24

1 anticipate that these objections will be withdrew as they evaluate the properties.

2 I'm sorry, go on.

3 BENNY WAMPLER: Is there an objection to this particular well
4 location exception?

5 BOB WILSON: No, sir. There's an objection to the permit
6 application for this well at this location. I can verify what Mr. Keenon has said
7 from conversations I have had with Alpha personnel that the major reason for
8 filing of the objections was to give them time to fully access their properties and
9 relationship to these well locations. I cannot say if they'll be withdrawn or if we'll
10 go to hearing. But the permits will not be issued until such time as one of those
11 two things has happened.

12 BENNY WAMPLER: Okay.

13 Q. And, Mr. Keenon, in the event this location exception were
14 not granted, would you project the estimated loss of reserves?

15 A. 400 million standard cubic feet.

16 Q. And what's the total depth of this proposed well under the
17 plan of development?

18 A. 6,040 feet.

19 Q. Are you requesting that this location exception cover
20 conventional gas reserves to include any formations designated in the permit from
21 the surface to total depth drilled?

22 A. Yes.

23 Q. In your opinion, would the granting of this application be in
24

1 the best interest of preventing waste, protecting correlative rights and maximizing
2 the recovery of the gas reserves underlying 8258...the unit for 825809?

3 A. It would.

4 JIM KAISER: Nothing further of this witness at this time, Mr.
5 Chairman.

6 BENNY WAMPLER: Any questions from members of the Board?

7 DONALD RATLIFF: One minor one, Mr. Chairman. Mr. Kaiser, the
8 406 W. Main is a bad address on Alpha. It's One Alpha Place.

9 JIM KAISER: I appreciate that.

10 BENNY WAMPLER: Other questions from members of the Board?

11 MARY QUILLEN: Donnie, is that zip 24212 or is it still 24210?

12 DONALD RATLIFF: The street address is 24210. The post office
13 box is 24212. We're in a metropolis.

14 (Laughs.)

15 BENNY WAMPLER: Do you have anything further?

16 JIM KAISER: Mr. Chairman, we'd ask that the application be
17 approved as submitted.

18 BENNY WAMPLER: Is there a motion?

19 PEGGY BARBAR: Motion for approval.

20 MARY QUILLEN: Second.

21 BENNY WAMPLER: Second. Any further discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying yes.

24

--

1 (All Board members signify by saying yes, but Donald Ratliff.)

2 BENNY WAMPLER: Opposed, say no.

3 DONALD RATLIFF: I abstain, Mr. Chairman.

4 BENNY WAMPLER: You have approval. You have one abstention,
5 Mr. Ratliff. The next item on the agenda is a petition from Columbia Natural
6 Resources, LLC for a well location exception for proposed well 825810. This is
7 docket number VGOB-06-0117-1572. We'd ask the parties that wish to address
8 the Board in this matter to come forward at this time.

9 JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Robert Keenon
10 on behalf of...I'm still saying Columbia because that's who we're filing the
11 applications in because the bond has not been transferred. I believe that's
12 correct. Is that correct?

13 BOB WILSON: That's correct.

14 BENNY WAMPLER: The record will show no others. You may
15 proceed.

16

17

18 ROBERT L. KEENON

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. KAISER:

21 Q. Mr. Keenon, again, do your responsibilities include the
22 land involved here and in the surrounding area?

23 A. They do.

24

--

1 Q. And you're familiar with the application we filed seeking a
2 location exception for this well, being 825810?

3 A. Yes.

4 Q. And have all interested parties been notified as required by
5 Section 4(B) of the Virginia Gas and Oil Board Regulations?

6 A. Yes.

7 Q. Could you indicate for the Board the ownership of the oil
8 and gas underlying this unit?

9 A. Again, CNR has a 100%.

10 Q. And, again, we just have...we do have the right to operate
11 the one reciprocal well, that being the one well that we're seeking an exception
12 from?

13 A. Yes.

14 Q. So, there's no correlative rights issues?

15 A. That's correct.

16 Q. And the reason we're seeking this location exception would
17 be the exact same reason that we were seeking the location exception for well
18 825809 that we just previously heard?

19 A. It would.

20 Q. And in the event this location exception were not granted,
21 what would the estimated loss of reserves be here?

22 A. Again, I estimate 400 million standard cubic feet.

23 Q. And the total depth for this well?

24

1 A. 5,850 feet.

2 Q. Are we requesting that this location exception cover
3 conventional gas reserves to include the designated formations in the permit
4 application from the surface to the total depth drilled?

5 A. Yes.

6 Q. In your opinion, would the granting of this location be in the
7 best interest of preventing waste, accommodating coal interest, protecting
8 correlative rights and maximizing the recovery of gas reserves underlying the unit
9 for 825810?

10 A. It would.

11 JIM KAISER: Nothing further of this witness at this time, Mr.
12 Chairman. Again, I guess, we probably have got the address wrong.

13 BENNY WAMPLER: Any questions from members of the Board?
14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 JIM KAISER: Mr. Chairman, we'd ask that the application be
17 approved as submitted.

18 BENNY WAMPLER: Is there a motion?

19 PEGGY BARBAR: Motion to approve.

20 BENNY WAMPLER: I have a motion to approve. Is there a
21 second?

22 MARY QUILLEN: Second.

23 BENNY WAMPLER: Second. Any further discussion?

24

1 (No audible response.)

2 BENNY WAMPLER: All in favor, signify by saying yes.

3 (All Board members signify by saying yes, but Donald Ratliff.)

4 BENNY WAMPLER: Opposed, say no.

5 (No audible response.)

6 BENNY WAMPLER: You have approval.

7 DONALD RATLIFF: I abstain, Mr. Chairman.

8 BENNY WAMPLER: Mr. Ratliff abstains. The next item on the

9 agenda is a petition from Madeline Counts for disbursement of funds from escrow

10 and authorization for direct payment of royalties on Tract 4, unit VC-2975. This is

11 docket number VGOB-97-0715-0593-01. We'd ask the parties that wish to

12 address the Board in this matter to come forward at this time. Mr. Wilson is

13 handing out a letter from Ms. Counts.

14 (Bob Wilson passes out the letter.)

15 DON HALL: Don Hall with Equitable Production.

16 BOB WILSON: Mr. Chairman, I should identify myself. Bob Wilson

17 as the director of the Division of Gas and Oil. I guess, I will, with your permission,

18 go ahead and put this letter on the record while they are getting organized here.

19 The...our Department received a letter from Madeline Counts, who is person

20 seeking disbursement, in which she has enumerated several things. Number one,

21 "I will not be able to attend the hearing in February because of health problems."

22 Number two, "I have asked Bob Wilson, the Director of the Division of Gas and Oil

23 in Abingdon, Virginia, to present all information to the Board in my behalf. I have

24

1 sent a copy of my husband's Will to the Division of Oil and Gas in Abingdon,
2 Virginia." Number three, "I ask that all escrowed moneys due me be disbursed to
3 me." Number four, "I will accept the accounting of Equitable Production
4 Company." It is signed by Madeline Counts, widow of Jack J. Counts. Ms.
5 Counts has been in touch with us through this process. She, apparently, is
6 elderly and in very poor health. She lives in Eastern North Carolina and is unable
7 to travel and has asked that the Board consider an act on this without her being
8 present based on the content of this letter.

9 BENNY WAMPLER: Have you talked to her, Mr. Wilson, on the
10 phone?

11 BOB WILSON: Yes, sir, I have.

12 BENNY WAMPLER: Typically, we'd ask that this be a notarized
13 letter. Do you have good confidence that you've been speaking to the lady and
14 she has written---?

15 BOB WILSON: Yes, sir, quite a few times actually.

16 DON HALL: Me too.

17 SHARON PIGEON: You all do have a different spelling of her
18 name.

19 JIM KAISER: I'm not involved in this one. This is Don's.

20 SHARON PIGEON: You got great satisfaction in saying that, didn't
21 you?

22 BENNY WAMPLER: Mr. Hall, does...except for the spelling of her
23 name, does this match what your title people have identified?

24

--

1 DON HALL: We requested...the percentages do, yes. We
2 requested an accounting from the escrow agent somewhat over a month ago and
3 we finally got it Friday afternoon. In looking at the last page of those...of the
4 handout that I gave you, there's a discrepancy in what our figures and what their
5 figures are. We've got...our figures indicate that there's \$459.96 more than the
6 bank is saying. We're saying we put that much more in the bank and we've not
7 been able to figure out why there is a discrepancy.

8 BOB WILSON: Yes, Mr. Chairman, the...I will vouch for Mr. Hall's
9 version of that. They...I was copied in on email that requested an accounting from
10 the bank in excess of a month ago. Apparently, it came in late Friday. So, there
11 has not been a lot of time to balance this account. Apparently, the folks at
12 Equitable were unable to do so. There is, as Mr. Hall mentioned, a \$459.96
13 discrepancy. In this case, the payments made by the company were in excess of
14 what the bank is showing in the account. I personally don't feel comfortable
15 acting for Ms. Counts when there's this much of a discrepancy. Although she has
16 stated in her letter that she will accept the accounting that is presented here, I
17 think, personally again having been given that responsibility, that she needs to
18 know what that difference and maybe allow some opportunity for Equitable's folks
19 to look into this a bit further and attempt to get closer or find out what...what the
20 representation...this is an older account, which goes back prior to the time that
21 Wachovia had this account. It goes back to First Virginia. So, there was a lump
22 sum transferred in. There may be something in those older records that
23 would...could be useful to balance this account. Again, I don't personally feel

24

1 comfortable accepting this on her behalf. Also, if the Board thinks it is a
2 substantial issue, I could notarized documents from her stating these things that
3 she has said in her handwritten letter, if we wish to continue this until month.

4 JOSE SIMON: What was the difference in the amounts here?

5 BOB WILSON: \$459.96.

6 JOSE SIMON: Do you think we could disburse the lower number
7 and pending the resolution of that additional amount rather than hold it up until all
8 of this resolved?

9 BOB WILSON: It would complicate the disbursement process,
10 insofar as our orders and dealing with the bank is concerned. We certainly could
11 do that. But it could cause more problems than it could help from my end.

12 BENNY WAMPLER: So, you think...you think that continuing this
13 until next month would be adequate time to get this reconciled?

14 DON HALL: It can be.

15 BOB WILSON: Well, it would give time to work on it, which has not
16 been available until this point.

17 DON HALL: Right. We didn't get this until like 5:00 Friday.

18 BENNY WAMPLER: From my prospective, I'd like to see a
19 notarized letter. You know, we can arrange somebody to go to her house if she's
20 not able to get out---

21 BOB WILSON: Sure.

22 BENNY WAMPLER: ---and notarize that so that clears that up.

23 Then just continue it because another thirty days is not going to make that

24

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1 much...and then that way we've got everything that we need. Hopefully, the bank
2 can---.

3 JIM KAISER: And actually her letter says she'll accept the
4 accounting of Equitable Production Company. It didn't say anything...she hasn't
5 even seen the banks. So, I'm sure---.

6 BOB WILSON: Exactly.

7 SHARON PIGEON: You're not in this.

8 (Laughs.)

9 JOSE SIMON: He's trying to help out.

10 JIM KAISER: Just trying to help you.

11 BENNY WAMPLER: She enjoyed that.

12 BENNY WAMPLER: Okay. Is okay to continue it with everybody?
13 Any request to continue that---?

14 BOB WILSON: And I will contact---.

15 BENNY WAMPLER: ---based on that?

16 BOB WILSON: Excuse me. I'll contact Ms. Counts and explain the
17 situation to her.

18 JIM KAISER: She's a Tarheel. So, I've got to try to help her out.

19 BENNY WAMPLER: The next item is number sixteen. A petition
20 from Equitable Production Company for pooling of coalbed methane unit VC-
21 536615, docket number VGOB-06-0221-1584. We'd ask the parties that wish to
22 address the Board in this matter to come forward at this time.

23 JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and
24

1 Don Hall on behalf of Equitable Production Company. We'd ask that Mr. Hall be
2 sworn at this time.

3 (Don Hall is duly sworn.)

4 JIM KAISER: These next three items on the docket are all Yellow
5 Popular force poolings.

6 DON HALL: There's four.

7 JIM KAISER: Uh?

8 DON HALL: Next four.

9 JIM KAISER: Well, the fourth one has got Levisa in it too. Rather
10 than trying to combine them, we'll just incorporate some testimony because
11 there's some differences in the percentages and that sort of thing. It will probably
12 make it easier to do it that way.

13 BENNY WAMPLER: The record will show there no others. You
14 may proceed.

15 DON HALL
16 having been duly sworn, was examined and testified as follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Mr. Hall, if you'd state your name for the record, who you're
20 employed and in what capacity?

21 A. My name is Don Hall. I'm employed by Equitable
22 Production Company as District Landman.

23 Q. Do your responsibilities include the land involved in this
24

1 unit and in the surrounding area?

2 A. They do.

3 Q. Are you familiar with Equitable's application seeking to
4 pool any unleased parties for the unit for EPC well number VC-536615, which was
5 dated January the 20th, 2006?

6 A. Yes.

7 Q. Does Equitable own drilling rights in the unit involved
8 here?

9 A. We do.

10 Q. And prior to filing the application, were efforts made to
11 contact each of the respondents and an attempt made to work out a voluntary
12 agreement for the development of the unit?

13 A. Yes.

14 Q. What is the interest of Equitable within the gas estate in
15 the unit?

16 A. We have zero percent leased in the gas estate.

17 Q. And what's the interest of Equitable under lease in the coal
18 estate within the unit?

19 A. A 100%.

20 Q. All unleased parties are set out in Exhibit B-3 to the
21 application?

22 A. Yes.

23 Q. And so the percentage of the gas estate that is unleased is
24

1 100%, is that correct?

2 A. That's correct.

3 Q. And reasonable and diligent efforts were made and

4 sources checked to identify and locate any successors to Yellow Popular

5 including primary sources such as deed records, probate records, assessor's

6 records, treasurer's records ad secondary sources such as telephone directories,

7 city directories, family and friends?

8 A. Yes.

9 Q. In your professional opinion, was due diligence exercised

10 to locate each of the respondents named in Exhibit B?

11 A. It was.

12 Q. Are the addresses set out in Exhibit B to the application,

13 the last known addresses for the respondents?

14 A. Yes.

15 Q. Are you requesting this Board to force pool all unleased

16 interest listed at Exhibit B-3?

17 A. Yes.

18 Q. Are you familiar with the fair market value of drilling right in

19 the unit here and in the surrounding area?

20 A. Yes.

21 Q. Could you advise the Board as to what those are?

22 A. We pay a five dollar bonus with a five term and a one-

23 eighth royalty.

24

1 Q. In your opinion, do the terms you just testified to represent
2 the fair market value of and the fair a reasonable compensation to be paid for
3 drilling rights within this unit?

4 A. Yes.

5 Q. Now, as to the...any potential successors, if they are found
6 to the Yellow Popular interest, do you recommend that they be allowed the
7 following statutory options with respect to their ownership interest within the unit:
8 1) Participation; 2) a cash bonus of five dollars per net
9 mineral acre plus a one-eighth of eight-eighths royalty; or
10 3) in lieu of a cash bonus and one-eighth of eight-eighths
11 royalty share in the operation of the well on a carried basis
12 as a carried operator under the following conditions: Such
13 carried operator shall be entitled to the share of production
14 from the tracts pooled accruing to his/her interest exclusive
15 of any royalty or overriding royalty reserved in any leases,
16 assignments thereof or agreements relating thereto of such
17 tracts, but only after the proceeds applicable to that share
18 equal, A) 300% of the share of such costs applicable to the
19 interest of the carried operator of a leased tract or portion
20 thereof; or B) 200% of the share of such costs applicable to
21 the interest of a carried operator of an unleased tract or
22 portion thereof?

23 A. Yes.

24

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1 Q. Do you recommend that the order provide that
2 elections by the respondents be in writing and sent to the
3 applicant at Equitable Production Company, 1710 Pennsylvania
4 Avenue, P. O. Box 2347, Charleston, West Virginia 25302,
5 Attention: Leslie Smith, Regulatory?

6 A. Yes.

7 Q. Should this be the address for all
8 communications with the applicant concerning any force
9 pooling order?

10 A. Yes.

11 Q. Do you recommend that the order provide that
12 if no written elections was properly made by a respondent,
13 then that respondent should be deemed to have elected the
14 cash royalty option in lieu of any participation?

15 A. Yes.

16 Q. Should the unleased respondents be given 30
17 days from the date that they receive the recorded Board order
18 to file their written elections?

19 A. Yes.

20 Q. If an unleased respondent elects to
21 participate, should they be given 45 days to pay that
22 applicant for their proportionate share of well costs?

23 A. Yes.

24

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1 Q. Does the applicant expect that party
2 electing to participate to pay their share of completed
3 actual well costs in advance?

4 A. We do.

5 Q. Should the applicant be allowed a 120 days
6 following the recordation date of the Board order and
7 thereafter annually on that date until production is
8 achieved, to pay or tender any delay rental or cash bonus
9 becoming due under order?

10 A. Yes.

11 Q. Do you recommend that the order provide that
12 if a respondent elects to participate but fails to pay their
13 proportionate share of well costs, then that respondent's
14 election should be treated as having been withdrawn and void
15 and that respondents should be treated as if no initial
16 election had been filed, in other words, deemed to have
17 leased?

18 A. Yes.

19 Q. Do you recommend that if the respondent
20 elects to participate but defaults in regard to the payment
21 of well costs, any cash sum becoming payable to that
22 respondent be paid within 60 days after the last date on
23 which that respondent could have made payment of their costs?

24

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1 A. Yes.

2 Q. Okay. In this particular case, the Board
3 does need to create an escrow account, is that correct?

4 A. That's correct.

5 Q. And that will be for Tract Number, is it 1?

6 A. 1.

7 Q. Tract Number One, okay. Who should be named
8 operator under any force pooling order?

9 A. Equitable Production Company.

10 Q. The total depth of this well under the plan
11 of development?

12 A. 2433 feet.

13 Q. And the estimated reserves for the unit?

14 A. 230 million cubic feet.

15 Q. And are you familiar with the well costs for
16 this well?

17 A. Yes.

18 Q. Has an AFE been reviewed, signed and
19 submitted to the Board as Exhibit C to the application?

20 A. It has.

21 Q. In your opinion, does it represent a
22 reasonable estimate of the well costs?

23 A. Yes.

24

1 Q. Could you state for the Board both the dry
2 hole costs and completed well costs for this well?

3 A. The dry hole costs is \$134,315 and the
4 completed well costs is \$325,506.

5 Q. Do these costs anticipate a multiple
6 completion?

7 A. They do.

8 Q. Does your AFE include a reasonable charge
9 for supervision?

10 A. Yes.

11 Q. In your professional opinion, would the
12 granting of this application be in the best interest of
13 conservation, the prevention of waste and the protection of
14 correlative rights?

15 A. Yes.

16 MR. KAISER: Nothing further at this time of this
17 witness, Mr. Chairman.

18 BENNY WAMPLER: Would you explain for the Board, for the
19 people that may not have heard the explanation before, about Yellow Popular
20 Lumber Company.

21 DON HALL: Yellow Popular went bankrupt in the '20s. Galley
22 Friend was appointed as a Trustee to convey this property. He conveyed all of it
23 except this. He never did...it never was conveyed. So, it falls to the heirs of the
24

1 stockholders, I guess, or the stockholders, which we have never been able to
2 determine who they are. It has been out there for ninety years now...eighty some
3 years, I guess, with no one claiming it.

4 BENNY WAMPLER: Other questions from members of the Board?

5 JIM KAISER: And we've force pooled this interest in the last, what
6 six months probably, maybe a dozen times already?

7 DON HALL: Yeah, eight or ten times.

8 BENNY WAMPLER: What kind of acreage are we talking about
9 total?

10 DON HALL: It's somewhat over a 2,000 acre tract.

11 JIM KAISER: About 2300, I think.

12 DON HALL: 2,068.22 acres according the plat.

13 BENNY WAMPLER: When you talk about Tract 1, how do I know
14 that except it just says Tract 1?

15 DON HALL: Because it's the only tract there.

16 BENNY WAMPLER: That whole unit is in Tract 1?

17 DON HALL: Yes.

18 BENNY WAMPLER: Okay. That's what I wanted to make sure.

19 Other questions from members of the Board?

20 (No audible response.)

21 DON HALL: What number...I said, we forgot to put the number on it.
22 It's the only tracts.

23 BENNY WAMPLER: That's why I was just following up with it. Do
24

1 you have anything further, Mr. Kaiser?

2 JIM KAISER: Mr. Chairman, we'd ask that the application be
3 approved as submitted.

4 DONALD RATLIFF: So moved, Mr. Chairman.

5 BENNY WAMPLER: Motion to approve.

6 JOSE SIMON: Second.

7 BENNY WAMPLER: Second. Any further discussion?

8 (No audible response.)

9 BENNY WAMPLER: All in favor, signify by saying yes.

10 (All Board members signify by saying yes.)

11 BENNY WAMPLER: Opposed, say no.

12 (No audible response.)

13 BENNY WAMPLER: You have approval. The next item on the
14 agenda is a petition from Equitable Production Company for pooling of coalbed
15 methane unit VC-536624, docket number VGOB-06-0221-1585. We'd ask the
16 parties that wish to address the Board in this matter to come forward at this time.

17 JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on
18 behalf of Equitable Production Company. In this particular application, I would
19 ask that the Board incorporate all of our testimony taken from docket number 06-
20 0221-1584 that you just previously heard, with the exception of the depth of the
21 well and the actual costs, everything else would be exactly the same.

22 BENNY WAMPLER: Okay. That will be incorporated.

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DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, for this particular well 536624, can you state the depth of the well?

A. 2406 feet.

Q. And can you provide the Board with both the dry hole costs and the completed well costs in this well? It's the same.

A. The dry hole well costs is \$119,305 and the completed well costs is \$314,990.

Q. And the percentages leased and unleased are exactly the same as the previous hearing?

A. That's correct.

Q. And the estimated reserves are exactly the same as the previous hearing?

A. That's correct.

Q. And the estimated reserves are exactly the same as the previous hearing?

A. That's correct.

JIM KAISER: That's all we have for that one, Mr. Chairman.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

1 PEGGY BARBAR: Motion to approve.
2 BENNY WAMPLER: Motion for approval. Is there a second?
3 MARY QUILLEN: Second.
4 BENNY WAMPLER: Second. Any further discussion?
5 (No audible response.)
6 BENNY WAMPLER: All in favor, signify by saying yes.
7 (All Board members signify by saying yes, but Donald Ratliff.)
8 BENNY WAMPLER: Opposed, say no.
9 DONALD RATLIFF: I will abstain, Mr. Chairman.
10 BENNY WAMPLER: One abstention, Mr. Ratliff. The next item on
11 the agenda is a petition from Equitable Production Company for pooling of
12 coalbed methane unit VC-536628. This is docket number VGOB-06-0221-1586.
13 We'd ask the parties that wish to address the Board in this matter to come forward
14 at this time.
15 JIM KAISER: Mr. Chairman and members of the Board, again, Jim
16 Kaiser and Don Hall on behalf of Equitable. This one is a little bit different. It has
17 two tracts in it including one where the fee mineral owner is Levisa Coal and that
18 particular tract is leased to CNX Gas. So, we won't be able to incorporate
19 everything. But we'll try to incorporate what we can.

20

21 DON HALL

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

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1 Q. Mr. Hall, you're familiar with this application?

2 A. Yes.

3 Q. And does Equitable own drilling rights in the unit involved

4 here?

5 A. We do.

6 Q. And prior to filing the application, were efforts made to

7 contact each of the respondents and an attempt made to work out a voluntary

8 agreement?

9 A. Yes.

10 Q. And what is the interest of Equitable under lease in the

11 coal estate in this unit?

12 A. We have 93.64% leased.

13 Q. And the gas estate?

14 A. Zero.

15 Q. And that's the Yellow Popular situation again?

16 A. That's the Yellow Popular, yes.

17 Q. Okay. So, the interest in the coal estate that remains

18 unleased, which represents the interest that...in Levisa Coal that's leased to CNX

19 is 6.36%?

20 A. Yes, that's coal and gas estate.

21 Q. Right. I'm sorry. It's all of Tract 2.

22 A. Yeah, right.

23 Q. And, again, you've done everything you can in an attempt

24

1 to determine successors to the original stockholders of Yellow Popular Lumber
2 Company?

3 A. Yes.

4 Q. In your professional opinion, was due diligence exercised
5 to locate each of the respondents named?

6 A. It was.

7 Q. Are you familiar with the fair market value of drilling rights
8 in the unit here and in the surrounding area?

9 A. Yes.

10 Q. Could you, again, advise the Board as to what those are?

11 A. A five dollar bonus with a five year term and a one-eighth
12 royalty.

13 Q. In your opinion, do the terms you've just testified to
14 represent the fair market value of and the fair and reasonable compensation to be
15 paid for drilling rights within this unit?

16 A. They do.

17 JIM KAISER: Mr. Chairman, we'd ask at this time that all the
18 testimony regarding the election options afforded any parties that we're pooling
19 that was taken in item 1584 be incorporated for purposes of this hearing.

20 BENNY WAMPLER: That will be incorporated.

21 Q. Mr. Hall, who should be named operator under any force
22 pooling order?

23 A. Equitable Production.

24

--

1 Q. And what's the total depth of this well?

2 A. 2380 feet.

3 Q. And the estimated reserves for this unit?

4 A. 230 million cubic feet.

5 Q. Has an AFE reviewed, signed and submitted to the Board

6 as Exhibit C?

7 A. Yes.

8 Q. In your opinion, does it represent a reasonable effort of the

9 well costs?

10 A. It does.

11 Q. Could you state for the Board both the dry hole costs and

12 completed well costs for this well?

13 A. The dry hole costs is \$121,814 and the completed well

14 costs is \$331,727.

15 Q. Do these costs anticipate a multiple completion and does

16 your AFE include a reasonable charge for supervision?

17 A. Yes.

18 Q. In your professional opinion, would the granting of this

19 application be in the best interest of conservation, the prevention of waste and the

20 protection of correlative rights?

21 A. It would.

22 JIM KAISER: Nothing further of this Chairman...of this witness at

23 this time, Mr. Chairman.

24

1 BENNY WAMPLER: Questions from members of the Board?
2 (No audible response.)
3 BENNY WAMPLER: Do you have anything further?
4 JIM KAISER: Mr. Chairman, we'd ask that the application be
5 approved as submitted.
6 BENNY WAMPLER: Is there a motion?
7 JOSE SIMON: So moved.
8 BENNY WAMPLER: Motion for approval. Is there a second?
9 PEGGY BARBAR: I second.
10 BENNY WAMPLER: And second. Any further discussion?
11 (No audible response.)
12 BENNY WAMPLER: All in favor, signify by saying yes.
13 (All Board members signify by saying yes, but Donald Ratliff.)
14 BENNY WAMPLER: Opposed, say no.
15 DONALD RATLIFF: I'll abstain, Mr. Chairman.
16 BENNY WAMPLER: You have approval. We have one abstention,
17 Mr. Ratliff. The next item on the agenda is a petition from Equitable Production
18 Company for pooling of coalbed methane unit VC-536627. This is docket number
19 VGOB-06-0221-1587. We'd ask the parties that wish to address the Board in this
20 matter to come forward at this time.
21 JIM KAISER: Mr. Chairman and members of the Board, again, Jim
22 Kaiser and Don Hall on behalf of Equitable Production. This will be a mirror
23 image of the one we just heard 1586 in that it's a two tract unit with the second
24

1 tract being Levisa leased to CNX. So, here again, I would ask that we incorporate
2 all previous testimony except for well depths and well costs and percentages
3 leased and unleased, please.

4 BENNY WAMPLER: That will be incorporated.

5 DON HALL

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. KAISER:

8 Q. Okay. So, Mr. Hall, in this particular situation, what
9 percentage of the coal estate is leased and unleased?

10 A. We have 94.69% of the coal estate leased.

11 Q. Which leaves 5.31% unleased, which represents Tract 2,
12 the Levisa tract?

13 A. Yes.

14 Q. Which is leased to CNX?

15 A. Yes, which is coal and gas.

16 Q. Which is coal and gas. And a 100% of the gas estate,
17 which is Yellow Popular that remains unleased.

18 A. 94.69% of it is Yellow Popular.

19 Q. I'm sorry. And what is the total depth for this well?

20 A. It's 2377 feet.

21 Q. And the estimated reserves for the unit?

22 A. 230 million cubic feet.

23 Q. And you're familiar with the AFE that was filed as Exhibit C
24

1 to the application?

2 A. Yes.

3 Q. Could you state for the Board both the dry hole costs and
4 completed well costs for this well?

5 A. The dry hole costs is \$120,757 and the completed well
6 costs is \$337,952.

7 Q. In your professional opinion, would the granting of this
8 application be in the best interest of conservation, the prevention of waste and the
9 protection of correlative rights?

10 A. Yes.

11 JIM KAISER: Nothing further of this witness at this time, Mr.
12 Chairman.

13 BENNY WAMPLER: Questions from members of the Board?
14 (No audible response.)

15 BENNY WAMPLER: Is there anything further?

16 JIM KAISER: We'd ask that the application be approved as
17 submitted.

18 BENNY WAMPLER: Is there a motion?

19 PEGGY BARBAR: Motion to approve.

20 JOSE SIMON: Second.

21 BENNY WAMPLER: Motion to approve and a second. Any further
22 discussion?

23 (No audible response.)

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1 BENNY WAMPLER: All in favor, signify by saying yes.
2 (All Board members signify by saying yes, but Donald Ratliff.)
3 BENNY WAMPLER: Opposed, say no.
4 (No audible response.)
5 BENNY WAMPLER: You have approval.
6 DONALD RATLIFF: I abstain, Mr. Chairman.
7 BENNY WAMPLER: One abstention, Mr. Ratliff.
8 JIM KAISER: All right. Now, we've got something a little different.
9 BENNY WAMPLER: The next item is a petition from Equitable
10 Production Company for creation and pooling of conventional gas unit V-536781.
11 This is docket number VGOB-06-0221-1588. We'd ask the parties that wish to
12 address the Board in this matter to come forward at this time.
13 JIM KAISER: Mr. Chairman, again, Don Hall and Jim Kaiser on
14 behalf of Equitable Production. We do have a set of revised exhibits as some
15 additional leases that we picked up by Equitable Production Company during the
16 interim period between the filing of the application and today.
17 BENNY WAMPLER: The record will show there are no others. You
18 may proceed.
19
20 DON HALL
21 DIRECT EXAMINATION
22 QUESTIONS BY MR. KAISER:
23 Q. Mr. Hall, do your responsibilities include with Equitable
24
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1 include the land involved in this unit and in the surrounding area?

2 A. They do.

3 Q. And you're familiar with the application that we filed

4 seeking to establish a unit and pool any unleased parties for EPC well V-536781

5 dated January the 20th, 2006?

6 A. Yes.

7 Q. Does Equitable drilling rights in the unit involved here?

8 A. Yes.

9 Q. Now, prior to the filing of the application and then

10 subsequent to the filing of the application, have you made efforts to contact each

11 of the respondents with an interest in the unit and an attempt to work out a

12 voluntary lease agreement?

13 A. We have.

14 Q. Now, at the time we filed the application, the percentage of

15 the gas estate in the unit was under lease to Equitable was 77.26, is that correct?

16 A. Yes.

17 Q. Okay. Now, since that time, could you point out on your

18 revised set of exhibits what additional leases you've been able to pick up?

19 A. As you can see at the bottom of our...at the bottom of page

20 two of Exhibit B, we now have 98.49% of the unit leased.

21 Q. So, that leaves 1.51% of the unit that is unleased?

22 A. That's correct.

23 Q. And those additional leases are reflected, I guess, in

24

1 Exhibit B-2?

2 A. Yes, they're the dismissed parties.

3 Q. Right, as the dismissed parties. Shouldn't they say leased
4 rather than unleased?

5 A. Well, they probably should, but they're dismissed. So---.

6 Q. Right. Exhibit B...the new Exhibit B-3 represents what
7 remains unleased, which are just the 1.51% that's owned by the W. B. Powers
8 heirs who are unknown?

9 A. That's correct.

10 Q. And then also that's again reflected on Exhibit E, which will
11 point the Board as to what needs to go into escrow, correct?

12 A. That's correct.

13 Q. Okay. Were reasonable and diligent efforts made to try to
14 identify the W. B. Powers heirs?

15 A. Yes.

16 Q. Okay. Are the addresses set out in revised Exhibit B to the
17 application, the last known addresses for the respondents?

18 A. Yes.

19 Q. Are you requesting this Board to force pool all unleased
20 interest listed at revised Exhibit B-3?

21 A. We are.

22 Q. Are you familiar with the fair market value of drilling rights
23 here and in the surrounding area?

24

1 A. Yes.

2 Q. Again, advise the Board as to what those are?

3 A. We pay a five dollar bonus with a five year term with a

4 one-eighth royalty.

5 Q. In your opinion, do the terms you've just testified to

6 represent the fair market value of and fair and reasonable compensation to be

7 paid for drilling rights within this area?

8 A. They do.

9 JIM KAISER: Mr. Chairman, I'd again ask that the testimony

10 regarding the statutory election options afforded any unleased parties that was

11 first taken in item sixteen being number...docket number 1584 be incorporated for

12 purposes of this hearing.

13 BENNY WAMPLER: It will be incorporated.

14 Q. Mr. Hall, the Board does need to establish an escrow

15 account for any proceeds attributable to Tracts 10 and 11 in the unit, is that

16 correct?

17 A. That's correct.

18 Q. And who should be named operator under any force

19 pooling order?

20 A. Equitable Production Company.

21 Q. Okay. And what is the total depth of this well?

22 A. 5943 feet.

23 Q. And the estimated reserves for the unit?

24

1 A. 300...350 million cubic feet.

2 Q. Are you familiar with the AFE that has been signed and
3 submitted to the Board as Exhibit C?

4 A. Yes.

5 Q. In your opinion, does it represent a reasonable estimate of
6 the well costs for this well?

7 A. It does.

8 Q. Could you state both the dry hole costs and the completed
9 well costs for this well?

10 A. The dry hole costs is \$262,317 and the completed well
11 costs is \$565,161.

12 Q. Do these costs anticipate a multiple completion and
13 include a reasonable charge for supervision?

14 A. They do.

15 Q. In your professional opinion, would the granting of this
16 application be in the best interest of conservation, the prevention of waste and the
17 protection of correlative rights?

18 A. Yes.

19 JIM KAISER: Nothing further of this witness, Mr. Chairman.

20 BENNY WAMPLER: Questions from members of the Board?

21 (No audible response.)

22 BENNY WAMPLER: On Tract 6, when you...in your initial
23 application, you just had Glen M. Lawrence on there. Now, this is a leased party,
24

1 right?

2 DON HALL: Yes, it's leased.

3 JIM KAISER: It's one of the new leases.

4 BENNY WAMPLER: And it's Glen M. and Beth Ann Lawrence, is
5 that correct?

6 DON HALL: Yes, that's his wife.

7 BENNY WAMPLER: Okay. Other questions from members of the
8 Board?

9 (No audible response.)

10 BENNY WAMPLER: Do you have anything further?

11 JIM KAISER: Mr. Chairman, we'd ask that the application be
12 approved as submitted with the revised set of exhibits to reflect the additional
13 leases.

14 BENNY WAMPLER: Is there a motion?

15 JOSE SIMON: So moved.

16 BENNY WAMPLER: Motion to approve.

17 PEGGY BARBAR: I'll second.

18 BENNY WAMPLER: Second. Any further discussion?

19 (No audible response.)

20 BENNY WAMPLER: All in favor, signify by saying yes.

21 (All Board members signify by saying yes, but Donald Ratliff.)

22 BENNY WAMPLER: Opposed, say no.

23 (No audible response.)

24

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1 BENNY WAMPLER: You have approval.

2 DONALD RATLIFF: I'll abstain, Mr. Chairman.

3 BENNY WAMPLER: One abstention, Mr. Ratliff. The next item on
4 the agenda is a petition from Equitable Production Company for creation and
5 pooling of conventional gas unit
6 V-536777. This is docket number VGOB-06-0221-1589. We'd ask the parties
7 that wish to address the Board in this matter to come forward at this time.

8 JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on
9 behalf of Equitable Production Company. Mr. Hall is passing out a correction to
10 the informational sheet that was attached to the plat in the original application.

11 (Don Hall passes out the exhibit.)

12 DON HALL: Do you want me to explain what the---?

13 JIM KAISER: Yeah, let's go ahead and explain that maybe before
14 we get into his testimony.

15 DON HALL: In the original application, we have
16 N. M. Dotson, Jr. and Justine Dotson a life estate. We found subsequently to this
17 that N. M. Dotson, Jr. is deceased. Therefore, his life estate has expired. So, the
18 only life estate left on the surface, and this is a surface ownership, for that tract is
19 Justine Dotson. It's probably not significant for this hearing, but get corrected
20 information sheet.

21 JIM KAISER: So, that life estate is only in the surface estate---?

22 DON HALL: Right.

23 JIM KAISER: ---on the drill site tract, right?

24

--

1 DON HALL: Right, yes.

2 BENNY WAMPLER: The record will show no others. You may
3 proceed.

4

5 DON HALL

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. KAISER:

8 Q. Mr. Hall, do your responsibilities with Equitable include the
9 land involved here and in the surrounding area?

10 A. They do.

11 Q. And you're familiar with the application we filed seeking to
12 establish a drilling unit and pool any unleased interest in that unit for EPC well
13 number V-536777, which was dated January the 20th, 2006?

14 A. Yes.

15 Q. Now, does Equitable own drilling rights in the unit involved
16 here?

17 A. We do.

18 Q. And prior to the filing of the application and subsequent to
19 that, were efforts made and continue to be made to reach a voluntary lease
20 agreement with all respondents and interest owners within the unit?

21 A. Yes.

22 Q. What is the interest of Equitable under lease in the gas
23 estate in the unit right now?

24

--

1 A. We have 99.78% leased.

2 Q. Are all the unleased parties set out at Exhibit B-3 to the
3 application?

4 A. They are.

5 Q. And so the interest that remains unleased, which is
6 represented by Tract 4 in the unit, is .22%?

7 A. That's correct.

8 Q. Okay. We don't have any unknown or unlocateable
9 respondents in this particular unit, right?

10 A. Right.

11 Q. Are the addresses set out in Exhibit B to the application the
12 last known addresses for the respondents?

13 A. They are.

14 Q. Are you requesting this Board to force pool all unleased
15 interest listed at Exhibit B-3?

16 A. Yes.

17 Q. Again, are you familiar with the fair market value of drilling
18 rights in this unit and in the surrounding area?

19 A. Yes.

20 Q. Again, advise the Board as to what those are?

21 A. A five dollar bonus with a five year term and one-eighth
22 royalty.

23 Q. And, in your opinion, do the terms you just testified
24

1 represent the fair market value of and the fair and reasonable compensation to be
2 paid for drilling rights within this unit?

3 A. They do.

4 JIM KAISER: Again, Mr. Chairman, I'd ask that the election
5 option...statutory election option testimony taken first item sixteen, being docket
6 number 1584, be incorporated for purposes of this hearing.

7 BENNY WAMPLER: It will be incorporated.

8 Q. Mr. Hall, in this particular case, being a conventional well
9 with no unknown or unlocateable respondents, the Board does not need to
10 establish an escrow account, is that correct?

11 A. That's correct.

12 Q. And who should be named operator under the force
13 pooling order?

14 A. Equitable Production Company.

15 Q. And the total depth of this well?

16 A. 5306 feet.

17 Q. The estimated reserves for the unit?

18 A. 350 million cubic feet.

19 Q. Has an AFE been reviewed, signed and submitted to the
20 Board as Exhibit C to the application?

21 A. It has.

22 Q. In your opinion, does it represent a reasonable effort of the
23 well costs?

24

--

1 A. Yes.

2 Q. Could you state for the Board both the dry hole costs and
3 completed well costs for this well?

4 A. The dry hole costs is \$223,070 and the completed well
5 costs is \$479,732.

6 Q. Do these costs anticipate a multiple completion and does
7 your AFE include a reasonable charge for supervision?

8 A. Yes.

9 Q. In your professional opinion, would the granting of this
10 application be in the best interest of conversation, the prevention of waste and the
11 protection of correlative rights?

12 A. Yes.

13 JIM KAISER: Nothing further of this witness at this time, Mr.
14 Chairman.

15 BENNY WAMPLER: Questions from members of the Board?
16 (No audible response.)

17 BENNY WAMPLER: Do you have anything further?

18 JIM KAISER: We'd ask that the application be approved as
19 submitted with the corrected informational sheet regarding the surface ownership
20 of Tract 1.

21 (Sharon Pigeon confers with Benny Wampler.)

22 BENNY WAMPLER: Sharon was just saying that it's identified as
23 Exhibit A.

24

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1 JIM KAISER: I'm sorry, identified as Exhibit A.

2 BENNY WAMPLER: Is there a motion?

3 PEGGY BARBAR: Motion to approve.

4 JOSE SIMON: Second.

5 BENNY WAMPLER: Motion and second. Any further discussion?

6 (No audible response.)

7 BENNY WAMPLER: All in favor, signify by saying yes.

8 (All Board members signify by saying yes, but Donald Ratliff.)

9 BENNY WAMPLER: Opposed, say no.

10 DONALD RATLIFF: I'll abstain.

11 BENNY WAMPLER: One abstention, Mr. Ratliff. You have

12 approval. The next item on the agenda is a petition from Dart Oil and Gas

13 Corporation for pooling of conventional gas unit 26. This is docket number

14 VGOB-06-0221-1590. We'd ask the parties that wish to address the Board in this

15 matter to come forward at this time.

16 JIM KAISER: Mr. Chairman and members of the Board, Jim Kaiser,

17 Bob Powell and Ed Diminick on behalf of Dart Oil and Gas Corporation. We'd ask

18 that Mr. Powell and Mr. Diminick be sworn at this time.

19 (Bob Powell and Ed Diminick are duly sworn.)

20 JIM KAISER: Before we get started, I'd like to pass out a set of

21 revised exhibits, which will reflect additional leases picked up by the applicant

22 since the time the application was filed.

23 (Jim Kaiser passes exhibit.)

24

1 JIM KAISER: The B, I think, should be stapled together and then
2 the B-3 will be just the one sheet.

3 BENNY WAMPLER: The record will show no others. You may
4 proceed.

5 JIM KAISER: I will start with Mr. Powell.

6

7

8

9

10 BOB POWELL

11 having been duly sworn, was examined and testified as follows:

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. KAISER:

14 Q. Mr. Powell, if you could state your name for the Board, who
15 you're employed by and in what capacity?

16 A. I'm Bob Powell, employed by Dart Oil and Gas as their
17 landman of all land activities in the Appalachian Basin.

18 Q. Do your responsibilities then include the land involved here
19 and in the surrounding area?

20 A. Yes.

21 Q. Are you familiar with Dart's application seeking to pool any
22 unleased interest in the unit for Dart well number Mitchem, et al 042601, which
23 was dated January the 20th, 2006?

24

--

1 A. Yes.

2 Q. And even though this is a conventional well, I state that
3 what we're doing is pooling unleased interest because this is an Abb's Valley
4 Field well. So, the unit has already been established by the Abb's Valley Field
5 rule, right?

6 A. That is correct.

7 Q. Okay. And this are 200 acre units just to refresh people's
8 memory.

9 A. Yes, that is true.

10 Q. Okay. And you...and that's depicted by Exhibit A to the
11 application and the map?

12 A. Yes.

13 Q. Okay. Does Dart own...Dart own drilling rights in the unit
14 involved here?

15 A. Yes, they do.

16 Q. And prior to the filing of the application and subsequent to
17 the filing of the application, have you made continued efforts to attempt to reach a
18 voluntary agreement with all the parties named in Exhibit B?

19 A. Yes, we have.

20 Q. Now, at the time the application was filed, Dart had 41.34%
21 of the unit under lease, is that correct?

22 A. Yes, it is.

23 Q. And since that time, you have picked up two additional
24

1 leases, such that now Dart has 42.07% of the unit under lease, is that correct?

2 A. That is...that is correct.

3 Q. And could you point out the two leases that you've picked

4 up, identifying them by tract number and name.

5 A. Tract Number is Tract---

6 Q. 6?

7 A. ---6, Patricia Quensenbury and Tract Number 8 Donnie

8 Anderson and et ux, and Judy.

9 Q. Okay. So, at the time we filed the application, 58.66% of

10 the unit was under...was unleased and now with the additional two leases 57.93%

11 of the unit is unleased?

12 A. That's correct.

13 Q. Okay. Now, this is a sixteen tract unit...200 acre sixteen

14 tract unit. There are no unknown or unlocateable interest owners, is that correct?

15 A. That's correct.

16 Q. And are the addresses set out in our revised Exhibit B to

17 the application, the last known addresses for the respondents?

18 A. Yes, they are.

19 Q. Are you requesting this Board to force pool all unleased

20 interest as listed at Exhibit B-3?

21 A. Yes.

22 Q. Now, are you familiar with the fair market value of drilling

23 rights in the unit here and in the surrounding area?

24

1 A. Yes.

2 Q. Could you advise the Board as to what those are?

3 A. Twenty dollars an acre for a five year paid up lease or we

4 pay a minimum of \$100.

5 Q. And that depends on the size of the tract also?

6 A. The size of the tract. If it comes out less than a \$100, we

7 make sure we pay a minimum of \$100 to them.

8 Q. Okay. In your opinion, do the terms you just testified to

9 represent the fair market value of and the fair and reasonable compensation to be

10 paid for drilling rights within this unit?

11 A. Yes.

12 Q. Okay. Now, as to the those respondents who remain

13 unleased, that 57.93% listed at Exhibit B, do you agree that they be allowed the

14 following statutory options with respect to their ownership interest within the unit:

15 1) Participation; 2) a cash bonus of five dollars per net

16 mineral acre plus a one-eighth of eight-eighths royalty; or

17 3) in lieu of a cash bonus and one-eighth of eight-eighths

18 royalty share in the operation of the well on a carried basis

19 as a carried operator under the following conditions: Such

20 carried operator shall be entitled to the share of production

21 from the tracts pooled accruing to his/her interest exclusive

22 of any royalty or overriding royalty reserved in any leases,

23 assignments thereof or agreements relating thereto of such

24

1 tracts, but only after the proceeds applicable to his or her
2 share equal, A) 300% of the share of such costs applicable to
3 the interest of the carried operator of a leased tract or
4 portion thereof; or B) 200% of the share of such costs
5 applicable to the interest of a carried operator of an
6 unleased tract or portion thereof?

7 A. Yes.

8 Q. Do you recommend that the order provide that
9 elections by the respondents be in writing and sent to the
10 applicant at Dart Oil and Gas Corporation, 606 Dart Road,
11 Mason, Michigan 48854, Attention: Roger McKinley,
12 Regulatory?

13 A. Yeah, it's 600 Dart Road.

14 Q. I'm sorry. It's 600 Dart Road, Mason,
15 Michigan, Attention: Roger McKinley.

16 A. Yes.

17 Q. Should this be the address for all
18 communications with the applicant concerning any force
19 pooling order?

20 A. Yes.

21 Q. Do you recommend that the order provide that
22 if no written elections is properly made by a respondent,
23 then that respondent should be deemed to have elected the
24

1 cash royalty option in lieu of participation?

2 A. Yes.

3 Q. Should the unleased respondents be given 30
4 days from the date that they receive the recorded Board order
5 to file their written elections?

6 A. Yes.

7 Q. If an unleased respondent elects to
8 participate, should they be given 45 days to pay for their
9 proportionate share of well costs?

10 A. Yes.

11 Q. Does the applicant expect any party electing
12 to participate to pay in advance those share of completed
13 well costs?

14 A. Yes.

15 Q. Should the applicant be allowed a 120 days
16 following the recordation date of the Board order and
17 thereafter annually on that date until production is
18 achieved, to pay or tender any delay rental or cash bonus
19 becoming due under the force pooling order?

20 A. Yes.

21 Q. Do you recommend that the order provide that
22 if election...if a respondent elects to participate but fails
23 to pay their proportionate share of actual well costs

24

--

1 satisfactory to the applicant for payment of those costs,
2 then that election should be treated as having been withdrawn
3 and void and that respondent should be treated as deemed to
4 have leased?

5 A. Yes.

6 Q. Do you recommend that the order provide that
7 where a respondent elects to participate but defaults in
8 regard to the payment of well costs, any cash sum becoming
9 payable to that respondent be paid within 60 days after the
10 last date on which that respondent could have made payment of
11 their costs?

12 A. Yes.

13 Q. In this particular case, we do not have any
14 unknown or unlocateables. So, the Board does not need to
15 establish an escrow account, is that correct?

16 A. That's correct.

17 Q. Who should be named operator under any force
18 pooling order?

19 A. Dart Oil and Gas Corporation.

20 JIM KAISER: That's all I have of this witness at
21 this time, Mr. Chairman.

22 BENNY WAMPLER: Any questions from members of the
23 Board of this witness?

24

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1 (No audible response.)

2 BENNY WAMPLER: Call your next witness.

3 JIM KAISER: Our next witness is Mr. Ed Diminick.

4 This is Mr. Diminick's first time testifying before the
5 Board. Before we get into his testimony, I'm just going to
6 have him briefly go over his educational and professional
7 experience.

8 ED DIMINICK: I have a petroleum engineering degree
9 from Penn State University and an MBA from the University of
10 Pittsburgh. I'm currently employed as the District Manager
11 for Dart Oil and Gas. I'm responsible for engineering and
12 operations in this district. I previously worked for
13 (inaudible) Oil and Gas as an asset manager in their products
14 and their energy group for a number of years, responsible for
15 drilling environmental holes and I worked for Equitable
16 Resources for several years in the Appalachian Basin as the
17 production engineer and drilling production specialist.

18

19 ED DIMINICK

20 having been duly sworn, was examined and testified as
21 follows:

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

--

1 Q. And do your responsibilities include this
2 well and in any subsequent wells that may be drilled in the
3 Abb's Valley Field?

4 A. Yes.

5 Q. And what is total depth of this proposed
6 well under the plan of development?

7 A. 4,500 feet.

8 Q. And the estimated reserves for the unit?

9 A. 750 million cubic feet.

10 Q. And has an AFE been reviewed, signed and
11 submitted to the Board as Exhibit C to this application?

12 A. Yes.

13 Q. In your professional opinion, does this AFE
14 represent a reasonable estimate of the well costs?

15 A. Yes.

16 Q. Could you state for the Board both the dry
17 hole costs and completed well costs for this well?

18 A. The dry hole costs is \$429,235 and the
19 completed well costs is \$587,310.

20 Q. And do these costs anticipate a multiple
21 completion and include a reasonable charge for supervision?

22 A. Yes.

23 Q. In your professional opinion, would the
24

1 granting of this application be in the best interest of
2 conservation, the prevention of waste and the protection of
3 correlative rights?

4 A. Yes.

5 MR. KAISER: Nothing further at this time of this
6 witness, Mr. Chairman.

7 BENNY WAMPLER: Any questions from members of the Board?

8 (No audible response.)

9 BENNY WAMPLER: Do you have anything further?

10 JIM KAISER: We'd ask that the application be approved as
11 submitted with the revised exhibits to reflect the additional leases that were
12 obtained.

13 DONALD RATLIFF: So moved, Mr. Chairman.

14 BENNY WAMPLER: Motion for approval.

15 MARY QUILLEN: Second.

16 BENNY WAMPLER: A second. Any further discussion?

17 (No audible response.)

18 BENNY WAMPLER: All in favor, signify by saying yes.

19 (All Board members signify by saying yes.)

20 BENNY WAMPLER: Opposed, say no.

21 (No audible response.)

22 BENNY WAMPLER: You have approval. The next item on the
23 agenda is a petition from Columbia Natural Resources, LLC for creation and
24

1 pooling of conventional gas unit 825840. This is docket number VGOB-06-0221-
2 1591. We'd ask the parties that wish to address the Board in this matter to come
3 forward at this time.

4 (Jim Kaiser confers with Lynette Green.)

5 JIM KAISER: All right. Mr. Chairman, Jim Kaiser on behalf of
6 Columbia Natural Resources. Our witness for this next five or six items will be Mr.
7 Robert Keenon, who has been previously sworn and Ms. Lynette Green, who
8 needs to be sworn at this time.

9 (Lynette Green is duly sworn.)

10 BENNY WAMPLER: The record will show no others. You may
11 proceed.

12 JIM KAISER: We'll start with Ms. Green.

13

14 LYNETTE GREEN

15 having been duly sworn, was examined and testified as follows:

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. KAISER:

18 Q. Ms. Green, if you could state your name for the Board, who
19 you're employed by and in what capacity?

20 A. My name is Lynette Green. I'm a Senior Land
21 Representative with Chesapeake Energy Corporation.

22 Q. And you lands include the land involved here and in the
23 surrounding area?

24

--

1 A. Yes.

2 Q. And you're familiar with CNR's application seeking to

3 establish a drilling unit and pool and/unitize any unleased interest for CNR well

4 number 825840, which was dated January the 20th, 2006?

5 A. Yes, I am.

6 Q. And does CNR own drilling rights in the unit involved here?

7 A. Yes.

8 Q. And prior to the filing of the application, were efforts made

9 to contact each of the respondents and an attempt made to work out a voluntary

10 agreement?

11 A. Yes.

12 Q. And what is the interest within the unit under lease to

13 CNR?

14 A. Under lease to CNR is 92.2442%.

15 Q. And you're familiar with the ownership of drilling rights of

16 parties other than CNR underlying this unit?

17 A. Yes.

18 Q. And what percent remains unleased?

19 A. 7.7557.

20 Q. And that is...that is...actually...

21 (Jim Kaiser confers with Lynette Green.)

22 Q. Anyway, that's the Crowell estate that's leased to CNX, is

23 that correct?

24

1 A. That's correct.

2 Q. And then the majority of the unit that's under lease, the
3 92.244210%, Columbia Natural Resources has a lease with Buchanan Energy.
4 That lease does not have a pooling clause. We're pooling that interest for
5 unitization purposes and as a result of a meeting yesterday, we think that we're
6 probably going to...that the new owner Alpha is going to agree to modify the lease
7 to allow for pooling, is that correct?

8 A. That's correct.

9 Q. Okay. All unleased parties are set out in Exhibit B-3 to the
10 application?

11 A. Yes.

12 Q. We don't have any unknown or unlocateable parties?

13 A. No.

14 Q. In your professional opinion, was due diligence exercised
15 to locate each of the respondents named?

16 A. Yes.

17 Q. Are the addresses set out in Exhibit B to the application,
18 the---

19 A. Yes, they are.

20 Q. ---last known addresses with the exception of Alpha
21 Natural Resources, which should One Alpha Place rather than 406 West Main
22 Street?

23 A. Yes.

24

--

1 Q. Is that correct?

2 A. Yes.

3 Q. Okay. Are you familiar with the fair market value of drilling

4 rights in the unit here and in the surrounding area?

5 A. Yes.

6 Q. Could you advise the Board as to what those are?

7 A. It's a five dollar bonus for a five year term at a one-eighth

8 royalty.

9 Q. In your opinion, do the terms you just testified to represent

10 the fair market value of and fair and reasonable compensation to be paid for

11 drilling rights within this unit?

12 A. Yes.

13 Q. Now, as to those respondents who remain unleased and

14 are listed at Exhibit B-3, do you agree that they be allowed the following options

15 with...statutory election options with regard to their ownership interest: 1)

16 Participation; 2) a cash bonus of five dollars per net

17 mineral acre plus a one-eighth of eight-eighths royalty; or

18 3) in lieu of a cash bonus and one-eighth of eight-eighths

19 royalty share in the operation of the well on a carried basis

20 as a carried operator under the following conditions: Such

21 carried operator shall be entitled to the share of production

22 from the tracts pooled accruing to his/her interest exclusive

23 of any royalty or overriding royalty reserved in any leases,

24

1 assignments thereof or agreements relating thereto of such
2 tracts, but only after the proceeds applicable to that share
3 equal, A) 300% of the share of such costs applicable to the
4 interest of the carried operator of a leased tract or portion
5 thereof; or B) 200% of the share of such costs applicable to
6 the interest of a carried operator of an unleased tract or
7 portion thereof?

8 A. Yes.

9 Q. Do you recommend that the order provide that
10 elections by the respondents be in writing and sent to the
11 applicant at Columbia Natural Resources, LLC, 900
12 Pennsylvania Avenue, Charleston, West Virginia 25362,
13 Attention: Donna Snyder?

14 A. Or Chesapeake Energy Corporation, the same
15 address.

16 Q. Should this be the address for all
17 communications with the applicant concerning any force
18 pooling order?

19 A. Yes.

20 Q. Do you recommend that the order provide that
21 if no written elections were properly made by a respondent,
22 then that respondent should be deemed to have elected the
23 cash royalty option in lieu of any participation?

24

--

1 A. Yes.

2 Q. Should the unleased respondents be given 30
3 days from the date that they actually receive the recorded
4 Board order to file their written elections?

5 A. Yes.

6 Q. If an unleased respondent elects to
7 participate, should they be given 45 days to pay the
8 applicant for their proportionate share of actual well costs?

9 A. Yes.

10 Q. Does the applicant expect that party
11 electing to participate to pay in advance that party's share
12 of actual well costs?

13 A. Yes.

14 Q. Should the applicant be allowed a 120 days
15 following the recordation date of the Board order and
16 thereafter annually on that date until production is
17 achieved, to pay or tender any cash bonus or delay rental
18 becoming due under the order?

19 A. Yes.

20 Q. Do you recommend that the order provide that
21 if a respondent elects to participate but fails to pay their
22 proportionate share of actual well costs satisfactory to the
23 applicant, then that respondent's election to participate

24

--

1 should be withdrawn and void and they should be treated as
2 deemed to have leased?

3 A. Yes.

4 Q. Do you recommend that the order provide that
5 where respondent elects to participate but defaults in regard
6 to the payment of their actual well costs, any cash sum then
7 becoming payable to them by applicant should be paid within 60
8 days after the last date on which they could have paid
9 those...their costs?

10 A. Yes.

11 Q. Do you recommend that the order...well, in
12 this case, we don't...the Board does not need to establish an
13 escrow account, is that correct?

14 A. Yes, that's correct.

15 Q. Who should be named operator under any force
16 pooling order?

17 A. Columbia Natural Resources, LLC.

18 Q. Correct.

19 JIM KAISER: Nothing further of this witness at
20 this time, Mr. Chairman.

21 BENNY WAMPLER: Will you establish how Ms. Green
22 can testify on behalf of Columbia Natural Resources? We just
23 need to get that into the record.

24

--

1 JIM KAISER: Oh, I'm sorry. Do you mean what her
2 job is and stuff?

3 BENNY WAMPLER: Well, she said she's with
4 Chesapeake Energy Corporation and she testified about
5 Columbia Natural Resources.

6 JIM KAISER: Okay. I'm sorry.

7 Q. Testify...explain to them how you can
8 testify on behalf of Columbia Natural Resources.

9 A. The merger was complete February the 1st of
10 '06 and I was an employee of Columbia Natural Resources
11 previously. I'm still at the same capacity at Chesapeake
12 Energy.

13 Q. But we're still filing everything in the
14 name of Columbia Natural Resources, again, because---.

15 A. Yes.

16 Q. ---the actual bond in Virginia has been
17 transferred.

18 JIM KAISER: Is that correct, Mr. Wilson?

19 BOB WILSON: That's correct.

20

21 ROBERT L. KEENON

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

--

1 Q. Mr. Keenon, state your name and what your
2 employment capacity is.

3 A. Robert L. Keenon. I'm Southwest District
4 Manager for Chesapeake Energy.

5 Q. And Columbia Natural Resources?

6 A. (No audible response.)

7 Q. Do your responsibilities include the land
8 involved here and in the surrounding area?

9 A. They do.

10 Q. All right. You're familiar with the
11 proposed...the proposed exploration of this unit?

12 A. Yes.

13 Q. And what's the total depth of this well?

14 A. 5500 feet.

15 Q. And the estimated reserves for the unit?

16 A. 400 million standard cubic feet.

17 Q. And are you familiar with AFE that has been
18 reviewed, signed and submitted to the Board as Exhibit C?

19 A. Yes.

20 Q. In your opinion, does it represent a
21 reasonable estimate of the well costs for this well?

22 A. Yes.

23 Q. Could you state for the Board both the dry
24

1 hole costs and completed well costs for this well?

2 A. The estimated dry hole costs are \$221,797
3 and estimated completed well costs including well line are
4 \$486,162.

5 Q. And these costs anticipate a multiple
6 completion and include a reasonable charge for supervision?

7 A. Yes.

8 Q. In your professional opinion, would the
9 granting of this application be in the best interest of
10 conservation, the prevention of waste and the protection of
11 correlative rights?

12 A. It would.

13 MR. KAISER: Nothing further at this time of this
14 witness, Mr. Chairman.

15 BENNY WAMPLER: Mr. Keenon, the...you have the estimated total
16 depth as 5580 at the top. Is it...should that be 5500? I'm on page one of one of
17 your AFE.

18 ROBERT L. KEENON: Well, the problem kind of comes as far as
19 the length between different computer programs. When there was an original G
20 plat put up, that's where the 5850 kind of got carried over from one program into
21 another. If you look down on the contract drilling, as far as the estimated footage,
22 the 5500 feet, this is after there has been a field review made. A lot of it is based
23 on the difference in elevation. I just have a tendency to go with the estimated
24

1 actual drilling costs because there has been further review done as opposed to a
2 tidbit of information rolling from one program to another.

3 BENNY WAMPLER: Any other questions...Mr. Kaiser, you may
4 have to get involved in this a little bit. Your operator is Chesapeake Appalachia,
5 LLC.

6 JIM KAISER: Is this on the AFE?

7 BENNY WAMPLER: On the AFE.

8 SHARON PIGEON: At the top it says Columbia.

9 JIM KAISER: Yeah, at the top it says Columbia Natural Resources
10 and then it says...well, what is your pleasure as a Board? I mean, we can...we file
11 an amended AFE to say Columbia Natural Resources where it says operator, if
12 you want us to.

13 BENNY WAMPLER: I think I need Mr. Wilson to say what he needs
14 for you to be---.

15 BOB WILSON: Insofar as the Commonwealth of Virginia is
16 concerned, it is all still Columbia Natural Resources. So, it would have to be filed
17 under that name, I think, in order to be official.

18 SHARON PIGEON: And that's how you want the order to read.

19 JIM KAISER: Well, yeah, the order Columbia Natural Resources.
20 We did ask for that. So, do you want us to file a revised C to change that
21 operator to Columbia Natural Resources?

22 BOB WILSON: Yes, please.

23 JIM KAISER: Okay.

24

--

1 BENNY WAMPLER: Other questions from members of the Board?
2 (No audible response.)
3 JIM KAISER: Mr. Chairman, we'd ask that the application be
4 approved as submitted with the change that you have requested and that we file a
5 revised AFE to reflect Columbia Natural Resources, LLC as the operator.
6 BENNY WAMPLER: Is there a motion?
7 JOSE SIMON: So moved.
8 BENNY WAMPLER: Motion to approve. Is there a second?
9 PEGGY BARBAR: Second.
10 BENNY WAMPLER: Second. Any further discussion?
11 (No audible response.)
12 BENNY WAMPLER: All in favor, signify by saying yes.
13 (All members signify by saying yes, but Donald Ratliff.)
14 BENNY WAMPLER: Opposed, say no.
15 DONALD RATLIFF: I'll abstain, Mr. Chairman.
16 BENNY WAMPLER: One abstention, Mr. Ratliff. You have
17 approval. The next item on the agenda is a petition from Columbia Natural
18 Resources, LLC for creation and pooling of conventional gas unit 825685. This is
19 docket number VGOB-06-0221-1592. We'd ask the parties that wish to address
20 the Board in this matter to come forward at this time.
21 JIM KAISER: Mr. Chairman, again, Jim Kaiser, Robert Keenon and
22 Lynette Green on behalf of Columbia Natural Resources. This is the exact same
23 situation as we had in 825840. We are pooling our lessor Buchanan Energy
24

1 Company, now Alpha for unitization purposes only. Then there is an additional
2 tract...a small tract representing .275091% of the unit that is...the gas estate
3 owner is a Mary Crowell Estate that is under lease to CNX Gas Company. So, if I
4 might, I would like to incorporate all of the previous testimony taken in item
5 number twenty-three, being docket number 1591, and then just highlight the
6 differences for this particular unit.

7 BENNY WAMPLER: That will be incorporated.

8 JIM KAISER: Which means, Mr. Keenon or Ms. Green...excuse me.
9 We'll start with Ms. Green.

10 LYNETTE GREEN

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. KAISER:

13 Q. Could you tell the Board...state for the Board what is the
14 interest in the gas estate that is under lease to CNR within this unit?

15 A. Under lease to CNR is 99.7249% of the unit.

16 Q. Okay. And then the unleased percentage that
17 remains...the percentage of the unit that's unleased at this time?

18 A. 0.275091%.

19 Q. Okay, thank you. In this particular case, again, we do not
20 have any unknowns or unlocateables. So, the Board will not need to establish an
21 escrow account?

22 A. That is correct.

23 Q. And the fair market value of drilling rights in the unit here
24

1 will be the same, it's a five dollar bonus, a five year term and one-eighth royalty?

2 A. That's correct.

3 Q. And who should be named operator under the force
4 pooling order?

5 A. Columbia Natural Resources, LLC.

6 JIM KAISER: That's all I have of this witness at this time, Mr.
7 Chairman.

8 BENNY WAMPLER: Call your next witness.

9 ROBERT L. KEENON

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. KAISER:

12 Q. All right, Mr. Keenon, I'm certainly not going to ask you
13 who you're employed by.

14 (Laughs.)

15 Q. What is the total depth of the well under the plan of
16 development?

17 A. 5,945 feet.

18 Q. And the estimated reserves for this unit?

19 A. 400 million standard cubic feet.

20 Q. And you're familiar with the AFE that was signed and
21 submitted...reviewed, signed and submitted to the Board as Exhibit C to this
22 application?

23 A. I am.

24

--

1 Q. And so what are the dry hole costs and completed well
2 costs for this well?

3 A. The dry hole costs are \$253,503. The completed well
4 costs, including well line, are \$525,301.

5 Q. And in your estimation, those are fair and reasonable
6 estimates for this well?

7 A. Yes, they are.

8 Q. And do your costs include a multiple completion and
9 reasonable charge for supervision?

10 A. It does.

11 Q. In your professional opinion, would the granting of this
12 application be in the best interest of protecting correlative rights, preventing waste
13 and maximizing the recovery of the reserves underneath this unit?

14 A. It would.

15 Q. And, again, Mr. Keenon, do we need to file a revised AFE,
16 that being Exhibit C, to reflect the operator being...at this time being Columbia
17 Natural Resources, LLC rather than Chesapeake Appalachia, LLC?

18 A. We do.

19 JIM KAISER: Nothing further of this witness at this time, Mr.
20 Chairman.

21 BENNY WAMPLER: Any questions from members of the Board?

22 (No audible response.)

23 BENNY WAMPLER: Would you repeat the depth of the well, the
24

1 total depth?

2 ROBERT L. KEENON: 5,945 feet.

3 BENNY WAMPLER: Do you have anything further?

4 JIM KAISER: Mr. Chairman, we'd ask that the application be
5 approved as submitted with the addition of a revised AFE to Mr. Wilson's
6 office...to be sent to Mr. Wilson's office to reflect proper name of the operator at
7 this time.

8 BENNY WAMPLER: Is there a motion?

9 PEGGY BARBAR: Motion to approve.

10 BENNY WAMPLER: Motion to approve.

11 JOSE SIMON: Second.

12 BENNY WAMPLER: Second. Any further discussion?

13 (No audible response.)

14 BENNY WAMPLER: All in favor, signify by saying yes.

15 (All members signify by saying yes, but Donald Ratliff.)

16 BENNY WAMPLER: Opposed, say no.

17 DONALD RATLIFF: I'll abstain, Mr. Chairman.

18 BENNY WAMPLER: One abstention, Mr. Ratliff. You have
19 approval. The next item on the agenda is a petition from Columbia Natural
20 Resources, LLC for a well location exception for proposed well 825852. This is
21 docket number VGOB-06-0221-1593. We'd ask that the parties that wish to
22 address the Board in this matter to come forward at this time.

23 JIM KAISER: Mr. Chairman, Jim Kaiser and Robert Keenon on
24

1 behalf of Columbia Natural Resources. Ms. Green gets to sit this one out.

2 BENNY WAMPLER: Okay.

3

4 ROBERT L. KEENON

5 DIRECT EXAMINATION

6 QUESTIONS BY MR. KAISER:

7 Q. Mr. Keenon, do your responsibilities with Columbia include
8 the land involved here and in the surrounding area?

9 A. They do.

10 Q. And are you familiar with the application we filed seeking a
11 location exception for well 825852?

12 A. Yes.

13 Q. Have all interested parties been notified as required by
14 Section 4(B) of the Virginia Gas and Oil Board Regulations?

15 A. Yes.

16 Q. Could you indicate for the Board the ownership of the oil
17 and gas underlying the unit for well number 825852?

18 A. CNR has 100%.

19 Q. And CNR has the right to operate the reciprocal well, that
20 being well 20040, which lies 2,363.52 feet from 825852?

21 A. We do.

22 Q. So, there's no correlative rights issues?

23 A. That's correct.

24

--

1 Q. Okay. Explain for the Board, in conjunction with the
2 application we filed, why we're seeking this particular exception.

3 A. We're seeking this exception to facilitate Teco's mining
4 operations in the Splashdam seam. This is another location where we've worked
5 with the coal company to get a mutually acceptable location.

6 Q. And in the event this location exception were not granted,
7 would you project the estimated loss of reserves?

8 A. 300 million standard cubic feet.

9 Q. And what's the total depth of this well?

10 A. 5,545 feet.

11 Q. Are we requesting this location exception to cover
12 conventional gas reserves to include designated formations from the surface to
13 the total depth drilled?

14 A. We do.

15 Q. In your opinion, would the granting of this location
16 exception be in the best interest of preventing waste, protecting correlative rights
17 and maximizing the recovery of the gas reserves underlying the unit for 825852?

18 A. It would.

19 JIM KAISER: Nothing further of this witness at this time, Mr.
20 Chairman.

21 BENNY WAMPLER: Any questions from members of the Board?

22 (No audible response.)

23 BENNY WAMPLER: Do you have anything further?
24
25

1 JIM KAISER: Yes, sir. We'd ask that the application be approved
2 as submitted.

3 BENNY WAMPLER: Is there a motion?

4 DONALD RATLIFF: I move to approve, Mr. Chairman.

5 BENNY WAMPLER: I have a motion to approve. Is there a
6 second?

7 PEGGY BARBAR: I'll second.

8 BENNY WAMPLER: Second. Any further discussion?

9 (No audible response.)

10 BENNY WAMPLER: All in favor, signify by saying yes.

11 (All members signify by saying yes.)

12 BENNY WAMPLER: Opposed, say no.

13 (No audible response.)

14 BENNY WAMPLER: You have approval. Next, is a petition from
15 Columbia Natural Resources, LLC for a well location exception for proposed well
16 823540. This is docket number VGOB-06-0221-1594. We'd ask that the parties
17 that wish to address the Board in this matter to come forward at this time.

18 JIM KAISER: Again, Mr. Chairman and Board members, Jim Kaiser
19 and Robert Keenon on behalf of Columbia Natural Resources, LLC.

20 BENNY WAMPLER: The record will show no others. You may
21 proceed.

22 ROBERT L. KEENON

23 DIRECT EXAMINATION

24

--

1 QUESTIONS BY MR. KAISER:

2 Q. Again, Mr. Keenon, do your responsibilities with Columbia
3 include the land involved here and in the surrounding area, correct?

4 A. They do.

5 JIM KAISER: And, Mr. Chairman, before I get into his testimony too
6 much further. If you'll look at your application, under Section 2, allegation of facts,
7 under Section 2.2, we have a typo in there that I found when I going through these
8 yesterday. In the very last sentence of 2.2, it should say, "This site was verbally
9 approved by Rapoca on December 22, 2005" and not 2006, "as an alternate
10 location to the original site."

11 Q. And, Mr. Keenon, you are familiar with the application we
12 filed seeking a location exception?

13 A. Yes.

14 Q. Have all interested parties been notified as required by
15 Section 4(B) of the Virginia Gas and Oil Board Regulations?

16 A. Yes.

17 Q. Could you indicate for the Board the ownership of the oil
18 and gas underlying the unit for this well, that being 823540?

19 A. Again, CNR has 100%.

20 Q. Okay. And does CNR have the right to operate the
21 reciprocal well, that being CNR well number 9591?

22 A. We do.

23 Q. So, there's no correlative rights issues?
24
25

1 A. There are not.

2 Q. And, again, in conjunction with the application we filed,
3 could you explain for the Board while we're seeking this exception.

4 A. This was practically the only location in the area that was
5 acceptable to Rapoca Coal and their mining operations. This location, again, is
6 proposed as a mutual cooperation with the existing coal lessors in the area.

7 Q. So, it represents what we'd all like to see, an
8 accommodation between the oil and gas and coal owners?

9 A. It would.

10 Q. In the event this location exception were not granted, could
11 you project the estimated loss of reserves?

12 A. 400 million standard cubic feet.

13 Q. And the total depth of the proposed well under the
14 applicant's plan of development?

15 A. 5,960 feet.

16 Q. Are you requesting this location exception to cover the
17 conventional gas reserves to include designated formations from the surface to
18 the total depth drilled?

19 A. Yes.

20 Q. In your opinion, would the granting of this location
21 exception be in the best interest of preventing waste, protecting correlative rights
22 and maximizing the recovery of the gas reserves underlying the unit for 823540?

23 A. It would.

24

--

1 JIM KAISER: Nothing further of this witness at this time, Mr.
2 Chairman.
3 BENNY WAMPLER: In your exhibits, would just tell the purpose of
4 your Exhibit B?
5 JIM KAISER: That lists everybody that we provided notification to
6 for purposes of this hearing.
7 BENNY WAMPLER: Other questions from members of the Board?
8 (No audible response.)
9 BENNY WAMPLER: Do you have anything further?
10 JIM KAISER: Mr. Chairman, we'd ask that the application be
11 approved as submitted with the correction of that one little typo on Section 2.2.
12 BENNY WAMPLER: Is there a motion?
13 DONALD RATLIFF: I move to approve, Mr. Chairman.
14 JOSE SIMON: Second.
15 BENNY WAMPLER: Second. Any further discussion?
16 (No audible response.)
17 BENNY WAMPLER: All in favor, signify by saying yes.
18 (All members signify by saying yes.)
19 BENNY WAMPLER: Opposed, say no.
20 (No audible response.)
21 BENNY WAMPLER: You have approval. We'll go to number
22 twenty-eight next. A petition from Columbia Natural Resources, LLC for repooling
23 of conventional unit 825605. This is docket number VGOB-06-0117-1573-01.
24

1 We'd ask the parties that wish to address the Board in this matter to come forward
2 at this time.

3 JIM KAISER: Mr. Chairman, again, in this matter it will be Jim
4 Kaiser, Lynette Green and Robert Keenon, I guess, on behalf of Columbia Natural
5 Resources. We can probably combine twenty-eight and twenty-nine, if that's your
6 pleasure. Let me explain what we have here. There may be one or two Board
7 members who weren't here last month. We did have a hearing on both of these
8 units last month in which we pooled the Crowell Estate tracts, which are leased to
9 CNX. At the time that we originally filed these applications for the January docket,
10 we thought that we would be able to get the lease on the Buchanan Energy tract,
11 which represents the largest part of both of these units, modified to include...to
12 allow for a pooling as we had in the past. We were not able to do that. Their
13 representatives asked us to refile these applications to...for this month to ask that
14 their interest be pooled for unitization purposes. So, that's all we're really doing
15 here in these repoolings is pooling all the Buchanan Energy/Alpha interest for
16 purposes of unitization.

17 BENNY WAMPLER: Do you want to...I mean, I have...my little
18 question out to the side when I was reviewing this stuff was the 25%. Do you not
19 have to...legally, do you have 25%?

20 JIM KAISER: Oh, yeah, we have a lease. We have...we actually
21 have under lease...I think we testified to that the last time. We have 90% of the
22 unit for 825605 under lease. We have---.

23 LYNETTE GREEN: 91%.

24

--

1 JIM KAISER: ---for 825811, Ms. Green, has just informed me we
2 have 91.17% under lease. Again, to kind of explain this---

3 BENNY WAMPLER: I guess, I thought I...I must have
4 misunderstood you about the Buchanan. I thought said that 90% went away.

5 JIM KAISER: No.

6 BENNY WAMPLER: Okay.

7 JIM KAISER: No, what we did, we were here the last time and ready
8 to go forward. As we have, in all instances in the past with Buchanan Energy, we
9 never pooled them before because we'd always go to them prior to the pooling
10 and what they would do is modify their lease to allow for pooling on a unit by unit
11 basis. So, we never had to pool them before. They were always leased, but
12 there's no pooling clause in the lease. So, what happened on these was, since
13 we already had them filed, they said, yeah, if you want to go ahead and pool the
14 Crowell Estate, which is leased to CNX, go ahead and do that, but you want to
15 refile these and---

16 LYNETTE GREEN: We didn't give adequate notice.

17 JIM KAISER: We didn't...yeah, we didn't give them notice. We
18 couldn't pool them for unitization purposes last month because we didn't originally
19 file them that way because we really thought they were going to modify the lease.

20 BENNY WAMPLER: Okay.

21 JIM KAISER: Does that make sense?

22 BENNY WAMPLER: Yes.

23 JIM KAISER: Okay.

24

--

1 BENNY WAMPLER: And you're suggesting to combine them?

2 JIM KAISER: I guess, if that's okay with you. I mean, I don't know
3 what testimony we need to take from anybody other than, you know, the purposes
4 of these repoolings are to pool those tracts for unitization purposes.

5 BENNY WAMPLER: I'll go ahead---

6 JIM KAISER: Nothing else has changed.

7 BENNY WAMPLER: I'll go ahead and call also the petition from
8 Columbia Natural Resources, LLC for repooling of conventional unit 825811. This
9 is docket number VGOB-06-0117-1574-01. We'd ask the parties that wish to
10 address the Board in these matters to come forward at this time.

11 JIM KAISER: Thank you, Mr. Chairman. It will be Jim Kaiser, and I
12 guess in this case, I'll just use Ms. Green as my witness.

13

14 LYNETTE GREEN

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. KAISER:

17 Q. Ms. Green, by way of explanation, we originally filed these
18 applications for pooling of both these wells in December for the January docket.
19 At which time, we were under the impression that the only interest that we needed
20 to pool was the Crowell estate interest in both units, which was leased to CNX, is
21 that correct?

22 A. That was correct.

23 Q. And then in the interim period, Buchanan Energy's interest
24

--

1 the complete...the purchase of that was completed and the new owner, because
2 of...well, I'll go on the record, because of issues that originally aren't germane or
3 relevant to these particular units, but because of bigger and broader issues,
4 asked us to...we felt like they may not agree to modify the leases as had been
5 done in the past to include for pooling, asked us to continue or refile the
6 applications as to their interest and that the ones that we filed in December for the
7 January docket did not notice them that we were pooling them unitization
8 purposes. So, we refiled and notice them that we were pooling them for
9 unitization purposes and that's the reason we're here today.

10 A. That's correct.

11 JIM KAISER: Does that make sense to everybody?

12 (No audible response.)

13 JIM KAISER: I hope so.

14 LYNETTE GREENE: (Inaudible.)

15 JIM KAISER: I just like to talk.

16 (Laughs.)

17 JIM KAISER: So, that's all I really have, I think, for that.

18 BENNY WAMPLER: That's the only change, right?

19 JIM KAISER: Yes, sir, that's the only...really the only testimony I
20 have.

21 BENNY WAMPLER: Mr. Wilson, is there anything that you need?

22 BOB WILSON: My only thing to put on the record would be the fact
23 that if it meets with the Board approval, we would only issue one order under this
24

1 rather than issuing the original order that was approved last month and then
2 another one for this. We'd only issue one order to repool---.

3 JIM KAISER: That would be good for me.

4 LYNETTE GREEN: For each one.

5 BENNY WAMPLER: For each one...for each one though.

6 JIM KAISER: For each well.

7 BOB WILSON: For each well, yes. I'm sorry.

8 LYNETTE GREEN: Okay.

9 BOB WILSON: For each well, yes.

10 JIM KAISER: And just use the 01 number?

11 BOB WILSON: But only...only one order under the 01 number to
12 cover both poolings.

13 JIM KAISER: I would agree with that. That would be great.

14 BENNY WAMPLER: If you will, stipulate the Crowell Estate
15 percentage in both of these.

16 JIM KAISER: Oh, I'm sorry. Okay, the Crowell Estate percentage in
17 both of the units that was pooled---.

18 SHARON PIGEON: One at a time, please.

19 JIM KAISER: Okay. In...in the unit for 825605, which is the first one
20 on the docket, the Crowell Estate interest is 9.486201; and in the unit for well
21 number 825811, the Crowell Estate interest is 8.829532.

22 BENNY WAMPLER: Anything further?

23 JIM KAISER: Nothing further. With all that being said, Mr.

24

1 Chairman, we'd ask that both applications be approved as submitted and we
2 would agree the Board's and Mr. Wilson's wish that we just have the one Board
3 order per unit using the 01 number since this kind of wraps the whole thing up.

4 BENNY WAMPLER: Is there a motion?

5 MARY QUILLEN: So moved.

6 JOSE SIMON: Second.

7 BENNY WAMPLER: Motion for approval and a second. Any further
8 discussion?

9 (No audible response.)

10 BENNY WAMPLER: All in favor, signify by saying yes.

11 (All members signify by saying yes, but Donald Ratliff.)

12 BENNY WAMPLER: Opposed, say no.

13 DONALD RATLIFF: I'll abstain, Mr. Chairman.

14 BENNY WAMPLER: Mr. Ratliff abstains. You are approved.

15 JIM KAISER: Thank you very much.

16 BENNY WAMPLER: The next item on the agenda is a petition from
17 Pine Mountain Oil and Gas, Incorporated for pooling of coalbed methane unit 71-
18 AA, docket number VGOB-06-0221-1596. We'd ask the parties that wish to
19 address the Board in this matter to come forward at this time.

20 TIM SCOTT: Tim Scott, Phil Horn and Ian Landon for Pine
21 Mountain Oil and Gas. I guess, it's my lot in life to always be last, right?

22 (Laughs.)

23 BENNY WAMPLER: Get your witnesses sworn in.

24

--

1 (Phil Horn and Ian Landon are duly sworn.)

2 BENNY WAMPLER: The record will show no others. You may
3 proceed.

4 TIM SCOTT: Thank you.

5

6 PHIL HORN

7 having been duly sworn, was examined and testified as follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SCOTT:

10 Q. Mr. Horn, would you state your full name, please?

11 A. My name is Phil Horn.

12 Q. And by whom are you employed?

13 A. Pine Mountain Oil and Gas.

14 Q. What do you do for Pine Mountain Oil and Gas?

15 A. I'm a District Landman. I do all types of land related
16 activities including getting wells ready to permit and drill.

17 Q. Does that include leasing as well?

18 A. Yes, it does.

19 Q. Are you familiar with Pine Mountain's application now
20 pending before the Board?

21 A. Yes, I am.

22 Q. And is this unit located in the Nora Coalbed Gas Field?

23 A. Yes, it is.

24

--

1 Q. And does this unit contain approximately 60 acres?
2 A. Yes, it does.
3 Q. Does Pine Mountain have drilling rights in this unit?
4 A. Yes, we do.
5 Q. And as far as the respondents listed on Exhibit B-3, are
6 there any of those parties to be dismissed today?
7 A. No.
8 Q. With regard to those parties listed on Exhibit B-3, have you
9 tried to reach an agreement with those individuals?
10 A. Yes, I have.
11 Q. And what attempts did you make to reach a voluntary
12 agreement?
13 A. I talked to the Superintendent of Education of Buchanan
14 County, Mr. Justus, on the phone twice and I sent him a lease by certified mail. I
15 have a return receipt.
16 Q. Okay. Was there any response from him?
17 A. No.
18 Q. Okay.
19 A. He said...I talked to him on the phone and he said he
20 would have the account...the attorney for the School Board call me, but he never
21 did.
22 Q. What percentage of the unit does Pine Mountain have
23 under lease?
24

1 A. 99.51%.

2 Q. As far as notifying the respondents listed on the Exhibit B-
3 3, how was that accomplished?

4 A. By certified mail and notice of hearing was published in the
5 Bluefield Daily Telegraph.

6 Q. And what day was that published?

7 A. On January the 27th, 2006.

8 Q. Are there any unknown parties in this unit?

9 A. No, there are not.

10 Q. Have you filed proofs of publication and affidavit of mailing
11 with Mr. Wilson?

12 A. Yes.

13 Q. Is Pine Mountain authorized to conduct business in the
14 Commonwealth?

15 A. Yes, we are.

16 Q. And is a blanket bond on file?

17 A. That's correct.

18 Q. If you were to reach an agreement with the parties listed on
19 Exhibit B-3, what would those terms be offered to them?

20 A. Five dollars per acre for a five year lease that provides a
21 one-eighth royalty.

22 Q. Is that fair and reasonable in this area?

23 A. Yes, it is.

24

1 Q. Now, we've indicated earlier that this is a...this is located in
2 the coal...the Nora Coalbed Gas Field, is that right?

3 A. Right.

4 Q. And what percentage does...of the unit do you have under
5 lease for coalbed methane gas?

6 A. 99.51%.

7 Q. And what percentage of the unit are you seeking to pool?

8 A. .49%.

9 Q. Is there an escrow requirement for this unit?

10 A. No, it is not.

11 Q. Are you also requesting that Pine Mountain be named as
12 operator for this unit?

13 A. Yes.

14 Q. And that the parties listed on Exhibit B-3...
15 (Off record for an emergency.)

16 Q. You're asking the Board to pool the parties that listed on
17 Exhibit B-3, is that correct?

18 A. That's correct.

19 Q. And with regard to any elections that might be made by the
20 respondents listed on Exhibit B-3, to whose attention should those elections be
21 made?

22 A. Pine Mountain Oil and Gas, Inc.

23 Q. And what address should be used for those elections?

24

1 A. P. O. Box 2136, Abingdon, Virginia 24210.

2 TIM SCOTT: Okay. That's all the questions I have for Mr. Horn.

3 BENNY WAMPLER: Any questions from members of the Board?

4 (No audible response.)

5 BENNY WAMPLER: Call your next witness.

6 TIM SCOTT: Okay.

7

8 IAN LANDON

9 having been duly sworn, was examined and testified as follows:

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SCOTT:

12 Q. Mr. Landon, would you state your name and occupation?

13 A. Ian Landon. I'm Operations Manager for Pine Mountain Oil
14 and Gas.

15 Q. Are you familiar with the application that's now pending
16 before the Board?

17 A. Yes.

18 Q. And what is the total depth of this proposed well?

19 A. 2,180 feet.

20 Q. Okay. And you're seeking to pool all the formations
21 between the surface and the target depth excluding conventional oil and gas, is
22 that correct?

23 A. Yes.

24

--

1 Q. And what are the estimated reserves for this unit?
2 A. 250 million cubic feet.
3 Q. Are you also familiar with the proposed...the cost of the
4 proposed well?
5 A. Yes.
6 Q. And what's the estimated dry hole costs?
7 A. \$94,646.
8 Q. And the completed well costs?
9 A. \$333,458.
10 Q. Did you prepare and submit the AFE that's now
11 pending...that's now with the Board?
12 A. Yes.
13 Q. Okay. Does the AFE provide for a reasonable cost for
14 supervision?
15 A. Yes.
16 Q. In your professional opinion, would the granting of this
17 application be in the best interest of conservation and prevention of waste and
18 protection of correlative rights?
19 A. Yes.
20 TIM SCOTT: That's all the questions I have for Mr. Landon.
21 BENNY WAMPLER: Who is Great Lakes Energy Partners, LLC?
22 IAN LANDON: Great Lakes is our sister company that Pine
23 Mountain reports to.
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1 BENNY WAMPLER: It's at the top of your AFE.

2 TIM SCOTT: Yes, sir. Right.

3 BENNY WAMPLER: But they're not the operator?

4 TIM SCOTT: No, sir, Pine Mountain.

5 BENNY WAMPLER: Other questions from members of the Board of

6 this witness?

7 (No audible response.)

8 BENNY WAMPLER: Do you have anything further?

9 TIM SCOTT: No, sir. I'd just ask that the application be approved.

10 BENNY WAMPLER: Is there a motion for approval?

11 PEGGY BARBAR: I motion to approve.

12 JOSE SIMON: Second.

13 BENNY WAMPLER: Second. Any further discussion?

14 (No audible response.)

15 BENNY WAMPLER: All in favor, signify by saying yes.

16 (All Board members signify by saying yes, but Donald Ratliff.)

17 BENNY WAMPLER: Opposed, say no.

18 BENNY WAMPLER: You have approval.

19 TIM SCOTT: Thank you, sir.

20 DONALD RATLIFF: I'll abstain, Mr. Chairman.

21 BENNY WAMPLER: One abstention, Mr. Ratliff. The last item on

22 the agenda that I have, Mr. Wilson may have something, I don't know, is the

23 minutes...approval for the minutes of January the 17th meeting. Those have been

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1 previously distributed. Are there any corrections or additions or a motion for
2 approval? I guess, Peggy since you---

3 PEGGY BARBAR: I motion to approve.

4 MARY QUILLEN: Second.

5 BENNY WAMPLER: Second. Any further discussion?

6 (No audible response.)

7 BENNY WAMPLER: All in favor, signify by saying yes.

8 (All Board members signify by saying yes, but Jose Simon.)

9 JOSE SIMON: I wasn't here. So, I---.

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: I understand,

13 JOSE SIMON: ---don't have to do---.

14 BENNY WAMPLER: I understand. You're free.

15 JOSE SIMON: I just wanted to make sure.

16 BENNY WAMPLER: That concludes what I have. Mr. Wilson?

17 BOB WILSON: Yes, sir. I do have one bit of business for the

18 Board. If you remember a couple of months ago, we discussed the fact that the

19 branch of Wachovia Shareholders Services that is now handling our escrow

20 account has been purchased by another company. Actually, we still have not

21 received any kind of formal notification of this. Just in conversations, it is a done

22 deal insofar as the purchase is concerned. But there have been no attempts by

23 the company to contact us or we have gotten no formal notification.

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1 At the time we discussed this, we discussed the possibility of
2 changing our account to be handled locally by a CPA firm and possibly get the
3 money in a local bank or at least a Virginia bank for ease of handling and other
4 benefits. You gave me the go ahead to do a bit of exploratory work on the
5 possibility of doing that sort of an arrangement. Now, under contracting laws of
6 the Commonwealth of Virginia, we are allowed to visit potential contractors to do
7 exploratory work to check on the visibility of doing contracts and this sort of thing.
8 So, this is what we were doing here. I visited two CPA firms. The firm of
9 Hickock, Fern, Browning and Garcia here in Abingdon and the firm of Brown
10 Edwards and Company, LLP in Bristol. Both of these are...as opposed to being
11 individual CPAs, they are CPA firms. Basically, what I did was outlined to
12 them..actually, in pretty much detail, the origins of the account, the reporting that
13 was expected on our end, all of the things that we're now getting from Wachovia
14 and the things that are included in our contract with Wachovia. My question
15 was...when I approached these folks they were told that this was basically a
16 fishing expedition, that I was doing exploratory work for the Board. The result of
17 both of these extensive interviews was both firms said that if we put out an RFP
18 for this sort of thing, they would be extremely interested in doing it.

19 As part of what I presented to them, they were made aware of what
20 Wachovia is currently being paid because it's shown on some of the documents
21 that I showed them. I pointed it out to them. That, they said, seemed to be
22 certainly within the ballpark of something that they could make work as a fee to do
23 just the bookkeeping on this stuff with the deposits being held in another...in a
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1 banking institution.

2 The question at this point in time is how do we want to proceed on
3 this...how do you want to proceed on this? The company that has purchased the
4 Shareholder Services of Wachovia is not currently registered in Virginia. We've
5 checked on this. That's not a major stumbling block. This is just a procedure they
6 would have to go through before we could do business with them. They have
7 inquired, again informally, regarding the transferability of the contract and were
8 informed that contracts with the Commonwealth of Virginia are transferrable only
9 with the permission of the contracting agency. So, they cannot automatically
10 transfer this. I'm not sure who all was here before or how much in detail we
11 discussed this. But I think we have several options. Number one, of course,
12 would be to go with the company that has purchased the Wachovia Branch. They
13 are headquartered in Brooklyn. They state that they are planning to keep the
14 Philadelphia operations in Philadelphia, which we've all heard before in other
15 incidences I'm sure. We could...again, this is not my...this is from talking to our
16 contracting people in our office of General Services, we could hold Wachovia to
17 the contract because it was signed with them and they would have to somehow or
18 other arrange to provide this contract...these contract services through, I believe,
19 2009 when the current contract expires. The third option, of course, is what we're
20 exploring, whereby we would give notice to them that we are, number one, not
21 interested in transferring the contract; and number two, we're going to exercise
22 the Commonwealth's right to give notification and terminate the contract with
23 Wachovia. Of course, we would have to have something else in place at that

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1 time.

2 So, I guess, I need guidance as to how we want to proceed with this
3 from here.

4 BENNY WAMPLER: Open for discussion.

5 JOSE SIMON: We can put out the RFP and see what kind of
6 response you get and then based on that, you have Wachovia/successor and
7 then whoever you put the RFP out for comparison purposes.

8 BOB WILSON: That's definitely a possibility that we could actually
9 go ahead and construct an RFP and not make a decision on the other until we've
10 got our response back from that.

11 MARY QUILLEN: And the Wachovia successor would be able to do
12 business in Virginia?

13 BOB WILSON: If they register with the State Corporation
14 Commission---

15 MARY QUILLEN: Right, right.

16 BOB WILSON: ---and that's a fairly simple process. It doesn't
17 require---

18 MARY QUILLEN: They don't object to doing that?

19 BOB WILSON: Assuming that they are not found to be a terrorist
20 organization or something of that sort, there would be...there would be no problem
21 with that. But that...that is a formality that they would have to go through before
22 we could do any work with them.

23 MARY QUILLEN: Do you know if they're open to doing that?

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1 BOB WILSON: I have...no, ma'am, I have not. I don't have any idea
2 on that. Again, I've had no direct contact with that company. They have not
3 formally notified us that are operations are being transferred. But we do know
4 that it's...from our contacts at Wachovia that it is taking place.

5 PEGGY BARBAR: Do you have the date?

6 BOB WILSON: I'm sorry?

7 PEGGY BARBAR: Do you have a date when the official transfer
8 between entities?

9 BOB WILSON: I do not. To be quite honest with
10 you---.

11 MARY QUILLEN: Should we not have---.

12 BOB WILSON: I'm sorry.

13 MARY QUILLEN: Should we not have one...have a date so that we
14 would know how much time we have to take care of all of these---?

15 BOB WILSON: Yes. We could certainly enquire about that and in
16 attempt to get one. I have not pursued it because I didn't want to build any fires
17 that I couldn't put out.

18 MARY QUILLEN: Right, right.

19 BOB WILSON: But I would...I would certainly think we could get
20 more information about the progress of the transfer. Again, most of my contact
21 with Wachovia has been their folks trying to determine what their contract
22 situation is with us. They were unable to find their contract with us. So, we
23 have...which is encouraging. We had our General Services folks send them a
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1 copy of the signed contract out of the Big Stone office. But they...when they sent
2 them that, they failed to send along some of the boiler plate stuff that goes with
3 every State contract, which was part of what they signed. But they actually
4 attempted to find out around about if there was a transferability clause in there
5 and, finally, the lady that I deal with in Philadelphia just called and she said,
6 "These people are going to nuts trying to figure out if they can transfer this
7 contract. Can they?" I said, "Not without our permission." She said, "Where does
8 it say that?" I faxed her a copy of that section of the contract language.

9 BENNY WAMPLER: See they have a binding cont...we have a
10 binding contract on Wachovia, you know. If they get out of the business, they
11 would certainly be liable. They can't just drop...drop it and payout, in other words.

12 MARY QUILLEN: Right. That was my question.

13 BENNY WAMPLER: I think it would make sense to do what Jose
14 mentioned and that...of course, the way the Commonwealth is with RFPs, we have
15 to clarify that we're basically on a search to make a determination because you
16 can't go out with an RFP just to...just to---

17 MARY QUILLEN: Fish.

18 BENNY WAMPLER: ---see what...to fish. Yeah, that's a good word.
19 But, you know, that it's the decision of the Board to, if that's okay with the Board,
20 to see what the availability of escrow agents in the area would be and the
21 feasibility of going with the new person or someone else.

22 BOB WILSON: The RFP does gives us significant flexibility over
23 just putting out a contract for bid---.

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1 BENNY WAMPLER: Right.

2 BOB WILSON: ---because this way, we let them tell us what they
3 can do for us. But, yeah, as Benny said, our General Services people will guide
4 us on that as they do in all State contracts to make sure that we're not
5 overstepping our authority here or anything of that sort.

6 BENNY WAMPLER: Does that make sense to everyone just do that
7 then? Give him nods to go ahead and do that.

8 (All Board members signify affirmatively.)

9 BOB WILSON: Then I will take steps to begin preparation on an
10 RFP and will enquire directly about the progress of the merger or the purchase
11 and what the deadlines are and what they're looking. I don't...I don't anticipate
12 anything that we would need to get the Board to get the Board together for. But is
13 there such a thing...I guess, Sharon, maybe I'm asking you this. If you would
14 poke her, please, a wake her up. Could the Board legally convene say a
15 teleconference to consider these things?

16 BENNY WAMPLER: I could call---.

17 SHARON PIGEON: Here you go, you've got your answer.

18 BENNY WAMPLER: I'm sorry.

19 SHARON PIGEON: No, that's okay because I didn't know the
20 answer. But I thought the answer was yes.

21 BENNY WAMPLER: I can call a meeting and it has to be recorded
22 and the whole bit. But, you know, you can...you can---.

23 BOB WILSON: So long as it's recorded, we have a transcript
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1 and...but it doesn't have to be advertised or anything like that?

2 BENNY WAMPLER: I think we'd have to advertise it at least in the
3 Virginia, whatever that record is, the intent of doing that.

4 BOB WILSON: Yeah, that...I guess---

5 BENNY WAMPLER: But that's like promptly. But, yeah, you have to
6 do that, if someone wanted to sit in on it somewhere.

7 BOB WILSON: If we get something pushed to the wall, obviously, I
8 would be notifying Benny and we would decide what path to take on that, I
9 suppose, or you would.

10 BENNY WAMPLER: Okay. Thank you all.

11

12 STATE OF VIRGINIA,

13 COUNTY OF BUCHANAN, to-wit:

14 I, Sonya Michelle Brown, Court Reporter and Notary
15 Public for the State of Virginia, do hereby certify that the
16 foregoing hearing was recorded by me on a tape recording
17 machine and later transcribed under my supervision.

18 Given under my hand and seal on this the 14th day
19 of March, 2006.

20

21 NOTARY PUBLIC

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23 My commission expires: August 31, 2009.

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